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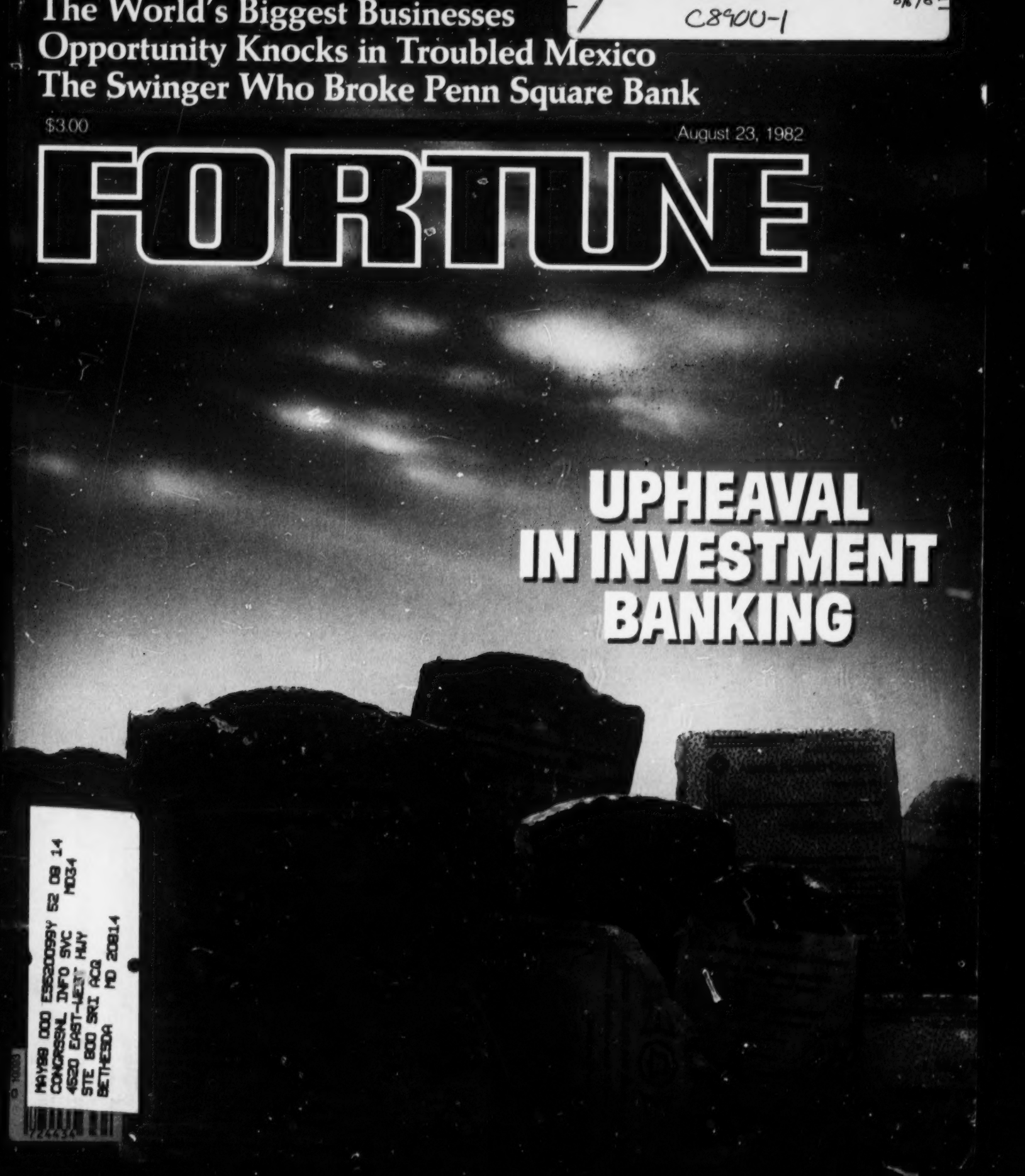

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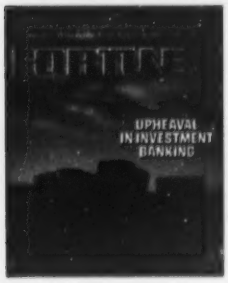

Crumbling, tumbling tombstones evoke the mortal fear that strikes investment bankers contemplating wide-open price competition in underwriting. The construction, by Lenor Robinson, was photographed by Shig Ikeda. The article begins on page 90.

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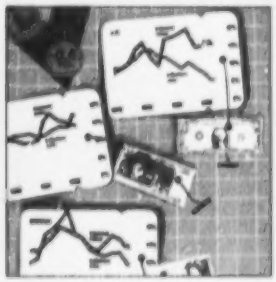

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WALL STREET

Upheaval in Investment Banking

Changes in the rules for issuing securities are saving corporations millions and could make underwriters expendable.

by A. F. EHRBAR

Investment bankers, who in recent years have been competing in every conceivable way except by cutting prices, are swiftly adapting to a rude new state of affairs in the underwriting game: wide-open, profit-busting price competition. Bidding ferociously for new corporate securities, the bankers are cutting their fees for underwriting stocks and bonds to the lowest levels ever. The new competition promises to reshape the investment banking industry and radically alter the ways large corporations raise capital.

What's been happening to underwriting fees is strikingly apparent in the balloons overhead, which track "spreads" on the five AT&T stock offerings since 1975. The spread is the investment bankers' fee, negotiated with the client issuing the securities and generally paid from the money collected when the stocks or bonds are sold. When AT&T sold 18.1 million shares at $57 last year, the spread, stated as a percentage of the offering price, was 2.7%; investment bankers pocketed better than $28 million of the $1 billion raised. In contrast, Ma Bell's offering last May 6 carried no spread at all.

Research associate: John J. Curran

Another aspect of the AT&T deal, and other deals lately, has rocked Wall Street even more than the disappearing spread. Morgan Stanley pulled off the AT&T offering, as a "bought deal," a European technique that most underwriters would like to see embargoed. In a bought deal, one or a few investment bankers usually handle the entire offering without lining up buyers in advance. That's radically different from a conventional offering, in which a lead (or managing) underwriter puts together a syndicate of securities firms from all over the country to buy an issue and market it to the public. Syndicates usually include at least a dozen firms, and often 60 or more. The firms agree to sell the securities at a single fixed price until the syndicate is broken, which occurs once the issue is sold or—if an offering bombs—when discounting is needed to attract buyers. In the latter case the spread, built into the offering price, cushions the underwriter against loss unless the price drops more than the spread.

The AT&T deal had neither syndicate nor cushion. Morgan Stanley simply bought two million shares on its own at $55.40 after bidding against a score of other underwriters. Morgan then resold the shares to institutional investors and other securities firms for whatever it could get. It netted around $400,000 on the deal. At last year's spread, fees on the AT&T shares would have been $3 million.

Because of the extreme risks, investment bankers recoil at the thought such deals will become commonplace. In conventional offerings the lead underwriter lays off a considerable part of the risk on the other members of the syndicate, just as a bookie lays off large bets. The managing underwriter also has all those extra salesmen in the syndicate firms working the phones to move an issue before market conditions change. In a bought deal, however, the underwriter has, as they say, bought the whole thing. The bought-deal underwriter also keeps all the profits if a deal is successful, but even that is controversial. Firms accustomed to participating in syndicates don't relish being cut out of the action. Lately a lot of utility-stock offerings have been handled as bought deals, and regional securities firms, which used to peddle loads of utility shares, are getting bypassed.

Underwriters also view bought deals as a threat to the last remaining vestige of fixed prices in the securities business. Though seven years have passed since the Securities and Exchange Commission outlawed fixed minimum commissions on ordinary trades, the fixed-price underwriting has remained sacrosanct. As it happens, most bought deals so far have been resold to investors at a single price, just as in a fixed-price offering. But they needn't be, and a few have been done with variable prices and volume discounts for big buyers. Morgan, for instance, resold the AT&T shares at prices ranging from $55.45 to $55.65.

Beware a freer market

All this upheaval in underwriting is the result of some major relaxation of the SEC's rules governing new offerings—rules that had helped sustain the syndicate system and discouraged price competition. Like other businessmen who have faced the specter of deregulation (and lower profits), many investment bankers are claiming that a freer market for new offerings will hurt not just them, but everybody.

The piece of deregulation that distresses underwriters most is Rule 415, the SEC's shelf-registration rule that went into effect on a nine-month trial basis in March. Rule 415 allows companies to register all the securities they plan to issue over the following two years and then sell some or all of them "off the shelf" whenever they choose. Any company can use a shelf registration, but it appeals most to large corporations that sell securities frequently.

Shelf registration enhances the flexibili-

Those balloons show the underwriters' fees on AT&T's last five public stock offerings, expressed as a percentage of the money raised each time. As the balloon at right indicates, the underwriter (Morgan Stanley & Co.) got no fee in May when AT&T made the first public offering under a controversial new "shelf registration" rule.

John Haines

ty of issuers and promotes competition among underwriters in a couple of critical ways. First, once its registration statement has been cleared, a company can make a series of instantaneous offerings without waiting for the SEC each time—extremely valuable in the bond market when interest rates are volatile. Equally important, companies no longer have to settle on a managing underwriter before they register an offering. Instead they can simply list a lot of managers they'd be happy to have. This encourages the firms listed to make competing offers. That's bound to produce lower underwriting profits than the old practice of negotiating a spread with an investment banker already tapped to handle the job.

Though Rule 415 was the agent of revolution, the vast majority of unconventional deals since March have not been shelf registrations. The adoption of Rule 415 focused the attention of underwriters and issuers on a variety of innovative deals that could have been done for years. The device that's been used for nearly all the unconventional offerings is the short-form registration and prospectus that's been available to large companies since 1978. The short form is a bare-bones document that needn't contain much more than the company's name and address. All other relevant data—income statements, balance sheets, and the often numbing, sometimes revelatory "material information" that can make prospectuses so lengthy—are "incorporated by reference" from the form 10-K and other material the companies routinely file with the SEC.

The short form obviously saves a bundle in printing costs. More important, the SEC will allow companies using it to sell securities 48 hours after filing the registration statement. Before the short form came along, companies sometimes had to wait a month for SEC clearance. Most underwriters viewed the short form as a handy way to get through market windows—those brief periods when interest rates drop, only to shoot back up again. Few saw it as a device that could fundamentally change underwriting. Although a handful of insurrectionists—most notably Jefferies & Co., a Los Angeles broker—used the short form to do bought deals last fall, it wasn't until 415 came along that the action got heavy.

The chief instigator of the new rule was Lee B. Spencer Jr., director of the division of corporation finance at the SEC. In 1980 Spencer and his staff were wrapping up a major simplification of SEC rules and guidelines when they hit on the idea for Rule 415. Wall Street appears to have napped through most of the preliminaries that led up to the experiment. But this June, four months into the trial, the investment bankers had their say at five days of hearings in a jam-packed room at the SEC.

Speaking through the Securities Industry Association, the investment bankers asked the SEC, in effect, to repeal 415 and to outlaw 48-hour offerings. The SIA argued that a "cooling-off period" of five business days was needed between the filing of a registration statement and the sale; that would give underwriters a chance to investigate the issuer and investors time to ponder the offering. The SIA also urged that a lead underwriter be selected five days before selling. In other words, the SIA wanted the SEC to recreate the conditions that sustained the old system. Underwriters wouldn't end up bidding against each other, and deals would be done at the leisurely pace that facilitates the forming of syndicates.

Most aggrieved were the regional firms, which deal mostly with individuals. National stock offerings are an important source of merchandise and profits for them, and bought deals have cut off much of the flow this year. The regionals predicted that if individuals were robbed of the chance to buy new issues, they would desert the stock market altogether. Those testifying never made clear why investors should like new stocks so much better than used ones, though it's obvious why the regionals prefer them: spreads on new issues are higher than commissions on stock trades.

"We adapt"

Attacking shelf registration put many of the big investment houses in the awkward position of criticizing the kinds of deals they had done themselves. For instance, Peter Buchanan, president of First Boston, is co-chairman of the SIA's underwriting committee and played a large role in formulating its position. Yet in June 1980 his

How They Line Up

Salomon Brothers was the No. 1 corporate underwriter domestically in the first half of 1982, as it was in 1981. This year U.S. companies have been raising a lot of money abroad, where rates have been lower. When foreign financings are counted, Morgan Stanley moves up to second place, Merrill Lynch drops to fifth, and First Boston moves to third, ahead of Goldman Sachs. In general, the capital-rich firms have an edge in the new underwriting environment.

Total corporate underwritings in U.S. 1st half 1982[1]		Firm (1981 rank)	Firm's capital 1981[2]
Rank	Millions		Millions
1	$3,475.1	Salomon Brothers (1)	$ 719.1
2	2,800.3	Merrill Lynch (3)	1,264.0
3	2,666.9	Goldman Sachs (4)	389.0
4	2,637.7	First Boston (5)	220.9
5	2,030.6	Morgan Stanley (2)	204.0
6	1,203.2	Lehman Brothers Kuhn Loeb (6)	161.9
7	888.4	Paine Webber (8)	240.3
8	697.5	Kidder Peabody (7)	128.5
9	621.3	Drexel Burnham Lambert (9)	173.3
10	487.2	Dean Witter Reynolds (10)	305.6

1 Includes issues by foreign governments. Value of entire offering assigned to lead manager.
2 Includes equity and subordinated debt.
Sources: Securities Data Co. and Securities Industry Association.

She Has Reservations About His Brainchild

Barbara Thomas, 35, is one of three SEC commissioners who will decide the fate of shelf registration, and the least enthusiastic about it. A former securities lawyer, she says, "I started out very pro shelf," but now she fears the rule may make it hard for underwriters to investigate corporate issuers thoroughly.

Lee B. Spencer Jr., 38, the chain-smoking director of the SEC's division of corporation finance, was a chief architect of "instant underwritings." He isn't shaken by arguments that companies will use the procedure imprudently: "In the end, you may have to conclude that corporate America can handle its own affairs."

Michele Singer (2)

firm did the first bought deal in the U.S.—a $250-million Citicorp bond issue—and boasted about it in its annual report.

John Whitehead, senior partner of Goldman Sachs, has been the most vocal of all the shelf-registration critics. He argues that investors get too little information in short-form prospectuses and he wants the SEC to go to a ten-day cooling-off period. Goldman, nevertheless, has been involved in nearly a quarter of all the nontraditional deals this year. Whitehead says he doesn't have any problems with the inconsistency between actions and words. "We adapt to the ground rules whether or not we like them," he explains. "We've been very active under 415. That's where I get my information that it's bad for investors."

Major underwriters complain that instant offerings could permit herds of companies to try to rush through every window in the bond market, as now happens in Europe. Unexpected bunching of issues in the European new-issue market sometimes causes such fear of a price drop that no one will buy. In addition, an underwriter doing a bought deal has to put up more capital than would be required if the firm were a member of a syndicate. Since the major underwriters include all the biggest bond trading firms, liquidity in the secondary market might diminish if capital were pulled out of trading and shunted into bought deals.

Proponents of shelf registration, who include large corporations and even a few investment bankers—notably Lehman Brothers Kuhn Loeb and Dean Witter Reynolds—argue that fears about liquidity are vastly overblown. Taking a line from those who oppose gun control, Donald Howard, chief financial officer of Citicorp, contends that "415 doesn't cause bunching. The market causes bunching."

Looking for cooked books

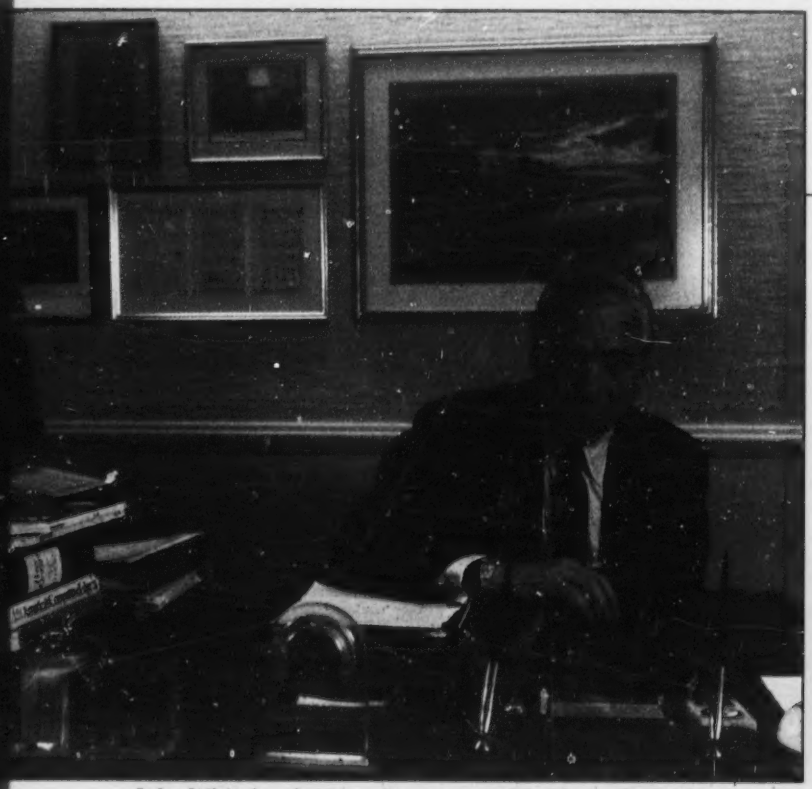
Underwriters also worry about what is known as "due diligence," the investigation they're supposed to perform to ensure that a company hasn't cooked its books or hidden bad news that could affect its securities. Investment bankers take due diligence seriously; they're liable for damages if an issuing company defrauds investors. Reasonably enough, they'd like to be relieved from liability for the accuracy of information included by reference in registration statements. But it's unlikely that a five-day cooling-off period would produce many revelations about large companies that security analysts haven't uncovered already. Says Lee Spencer: "If the 10-Ks and other filings are adequate to protect investors in the secondary market, where the annual volume is enormous, they ought to be adequate for the much smaller primary market."

The fate of Rule 415 will be decided by three SEC commissioners instead of the usual five. Commissioner Philip Loomis retired just before the hearings. Chairman John Shad, whose assets are managed in a blind trust by a Morgan Stanley executive, removed himself from the issue to avoid any appearance of a conflict of interest. At this point it's impossible to predict whether the commission will modify Rule 415, but given the SEC staff's strong support of it, some form of shelf registration for public offerings will almost certainly become permanent.

In the new world of instant offerings, the underwriter's role most likely will become more like that of a trader. Indeed, it's difficult to distinguish between bidding for bonds off a shelf and making a block trade. Capital, always a crucial commodity in underwriting, will become more important as syndicates dwindle. So shelf registration will favor the firms already on top,

continued

Wall Street Worries: No Protection, No Whistles



John Whitehead, 60, senior partner of Goldman Sachs, has become Wall Street's severest critic of shelf registration. He argues that the new procedure will seriously undermine investor protection and calls it "the ultimate abandonment of responsibility."

Thomas A. Saunders III, 46, of Morgan Stanley worries about buying a bond offering just before a passel of other issues hits the market by surprise. "Anybody can get out of the way of a freight train, but it helps if it blows a whistle."

William Coupon (2)

the ones with the most capital and the best trading operations. But the big firms will have to live with the risk that a flood of issues will hit the market unexpectedly and temporarily drive interest rates up—and bond prices down—just after they've taken on a large offering. Says Thomas A. Saunders III, who oversees syndicate operations at Morgan Stanley: "When you don't know who's going to land on your head in ten minutes, who wants to own $300-million worth of anything?"

Underwriters doing bought deals will inevitably come up with ways of recouping some of the profits lost from lower spreads. The latest AT&T offering showed off some new wrinkles in this regard. AT&T had registered ten million shares, so eight million remained on the shelf after Morgan Stanley's purchase. Morgan guessed preventing that overhang from coming to market might help AT&T's price, so it put a proviso in its May 6 bid that the company not sell any more shares before June 1. In return, Morgan bid 15 cents over AT&T's closing price of $55.25.

Morgan Stanley also wangled a small profit for itself in the way it arranged payment for the stock. The firm resold the shares to other brokers and institutional investors for delivery on Thursday, May 13, but it didn't settle up with AT&T until Friday, the 14th. On Thursday, Morgan borrowed two million AT&T shares, mostly from a Kuwaiti portfolio it manages, and delivered those shares to its customers; it paid a fee for the privilege. On Friday, Morgan took delivery from AT&T and replaced the borrowed shares. Morgan already had collected from its customers, but the $110-million check it gave AT&T wasn't good until Monday. Thus Morgan was able to lend the money out over the weekend and pick up more than $100,000, or 5 cents a share, in interest.

When a bought deal turns bad, though, the damage can be enormous. Kidder Peabody, for instance, paid $24.025 a share to buy one million shares of Indianapolis Power & Light off the shelf on May 13. The stock promptly dropped below $24, and Kidder didn't begin reselling the shares until early July, when the price was still down. Kidder won't say how it came out on the deal, but it may have lost $500,000 while tying up more than $24 million of its $129 million in capital.

Corporations that put securities up for bid won't save money without sacrifice. They will have to do without the investment bankers' counsel on financial matters, including advice on what type of security to sell. All they'll get from underwriters is a transaction service and a commitment of capital, though that's all many managements want. Corporations will also have to acquire the savvy to know when to sell and whether the bids they get are on the money.

The experiences of Illinois Power offer good examples of how the new system is likely to affect both issuers and underwriters. In early February, Damon Mezzacappa, a Lazard Frères partner, approached the utility with a proposal to handle a

quick offering of up to five million shares. Illinois Power had been planning to sell stock, but its traditional underwriters, Merrill Lynch and First Boston, weren't as optimistic as Lazard about market conditions. Since Lazard also offered to do the deal at an attractive spread, Illinois Power went ahead with a four-million-share offering. The company filed a short-form registration on Thursday, February 25. Lazard lined up tentative buyers on Friday, set the price at Friday's closing level of $20, and finished the sale Monday morning. The spread was 2.35%, less than half the 4.86% Illinois Power paid on a three-million-share offering last year, a saving of about $2 million. Lazard picked up a quick $1.9 million. Mezzacappa says he doubts Illinois Power, or just about any other company, would have even considered such a proposal five years ago.

Three months after the stock offering, Illinois Power filed a shelf registration for $75 million of debt securities of unspecified maturity. It listed eight potential managing underwriters, all of whom made offers on June 4, the day the registration statement became effective. Not knowing what kind of paper Illinois Power really wanted to sell, each firm submitted a package of bids for everything from five-year notes to 30-year bonds. Illinois Power didn't accept any of the bids, which convinced Wall Street that the utility had blown a fuse trying to sort out all the proposals. Larry Haab, the company's treasurer, insists he could have selected a bid if the price were right, but interest rates climbed unacceptably in the few days after the registration was filed.

After that, Illinois Power established guidelines for bids—less than 16% on bonds, 15% on notes—and waited for rates to drop. The company finally got an acceptable bid from Salomon Brothers on the morning of July 9. Salomon bought eight-year notes that carry an effective cost to the company of 14.98%. Salomon's price was a bargain for Illinois Power, well above the market for similar notes with the same coupon and maturity, but the firm gambled that a bond rally begun the day before would continue. Salomon was wise: it managed to resell the notes at a profit of around $400,000.

Institutions as underwriters

Over the long run, shelf registration could reshape the new-issue market more profoundly than anyone on Wall Street is prepared to acknowledge. One innovation that might catch on, to the detriment of underwriters' profits, is a plan by Pacific Gas & Electric to sell 30,000 shares a week, at whatever the market price happens to be. Goldman Sachs has agreed to sell the stock for 25 cents a share, only a little more than 1% of the recent market price.

Even more chilling to underwriters, companies could start selling registered securities directly to investors. Institutional investors haven't stepped up to bid yet, because anyone who makes the initial purchase of a security may be stuck with the underwriter's liability. The American Council of Life Insurance and Scudder Stevens & Clark, an investment manager, have asked the SEC to lift the liability from anyone who buys for investment rather than immediate resale. Spencer says the commission will do something soon to clarify the issue.

As the new world unfolds, it's entirely possible that large companies and institutions may transact a fair amount of new-issue business without any underwriters participating. And when the underwriters do get involved, they may be working for fees that aren't much higher than the measly commissions they now get from institutional investors. F

William Coupon

First on the Shelf—and Still There

Donald Howard, 54, chief financial officer at Citicorp, thinks shelf registrations are great. Citicorp was the first company to file one—in March for debt securities—but is still waiting for interest rates to drop before issuing the bonds. When the time comes, Howard will punch competing bids into the larger terminal by his desk, and a computer will figure out the best one.

TREATIES

The Reaganites' Misadventure at Sea

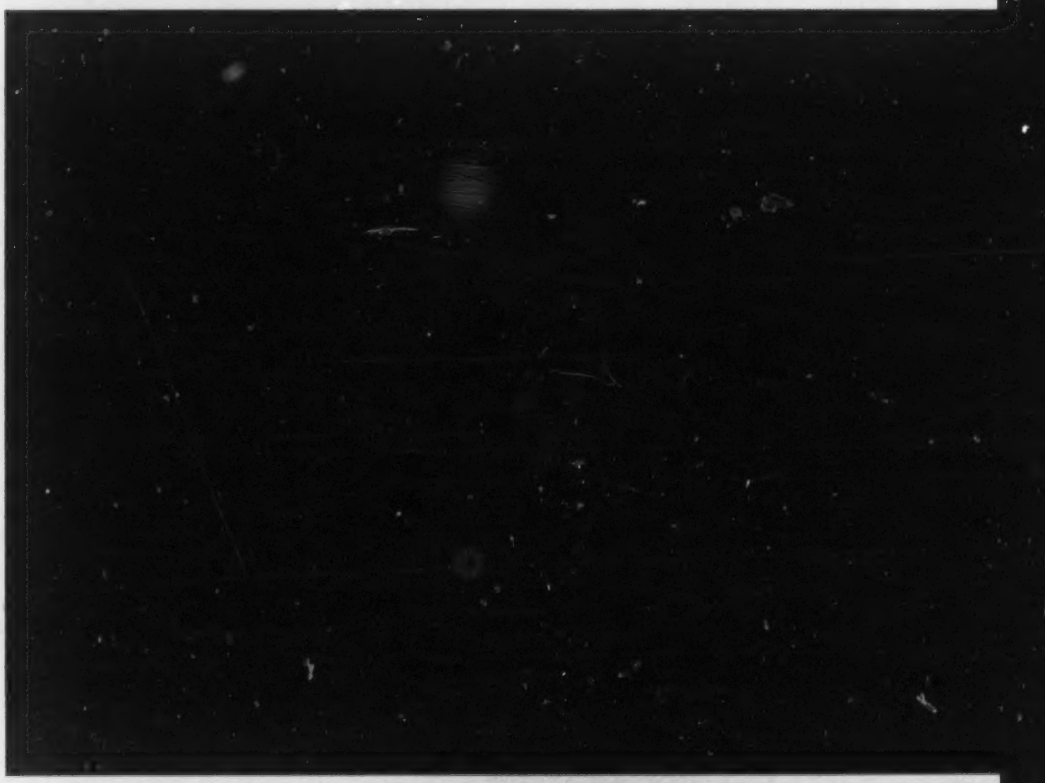
by TOM ALEXANDER

Several American companies have been captivated for years now by the lure of manganese nodules—those black, potato-shaped, metal-rich objects that litter some mid-ocean floors. These companies have spent around $350 million prospecting the seas and developing the impressive equipment required to raise the nodules and process them into refined metals. But as a result of recent decisions by the U.S. government, it is likely that when nodule harvesting eventually starts, the companies doing it won't be American. The U.S. outfits will probably have either fled to foreign shores or sold off their technology and dropped the mining idea entirely.

What's oddest about this imminent demise of American-flag ocean mining is that it amounts to a complex form of corporate suicide. Climaxing a long and successful lobbying campaign by the industry and its supporters in government, the Reagan Administration recently announced that it won't sign the international Law of the Sea Treaty, which has been under negotiation for 14 years. That pretty much sank any prospects that U.S. companies will be able to mine nodules in international waters.

In the short run, it's true, the dissolution of U.S. ocean mining is no big deal. Given the high cost of operations and the current dismal market for metals, nodule gathering may not prove profitable for decades. But the Administration's decision threatens more immediate national interests, notably freedom of navigation for ships and aircraft and political and commercial relations with the world at large. In the longer run it may impede U.S. access to strategic metals.

Were the implications less disquieting, the affair would be notable mainly for its quality of farce. For the U.S. was a prime



Terry Ashe

Formed by processes that are still not fully understood, manganese nodules dot the floors of several oceans. The richest beds, like the one above, lie in the Pacific, in a belt extending westward from the coast of Central America. Nodules vary in composition, averaging about 33% manganese, 6% iron, 1.5% nickel, 1.3% copper, and 0.2% cobalt, with traces of other metals. It appears that the companies mining nodules in years ahead won't be American.

Lockheed has developed the most elaborate nodule-mining technology, including this remote-controlled vehicle. Propelling itself along the seafloor, it scoops up nodules and pumps them through a three-mile pipe to a surface ship. The mother ship in Lockheed's experiments was the *Glomar Explorer*, designed for the CIA's famous attempt to raise a sunken Russian submarine. The prototype vehicle pictured here is about one-tenth the size of a commercial-scale miner, which would be capable of harvesting 5,000 to 10,000 tons of nodules per day.

instigator of the Law of the Sea Treaty—now widely referred to as LOST. What's more, the treaty accomplished practically everything the U.S. had hoped it would. But by withdrawing, the U.S. may deny itself the benefits. The turnabout on the treaty also reinforces the country's international reputation for inconstancy and unreliability.

Walls in the ocean

The American interest in securing a treaty on maritime law dates back to the 1950s and the emerging problem of "creeping jurisdiction"—coastal nations extending their seaward boundaries beyond the traditional three-mile limit. Many countries began adopting 12-mile limits; several Latin American countries claimed 200 miles. In the face of these claims, U.S. defense planners—and their counterparts in the Soviet Union—wanted to pin down their rights to navigate freely. Widely adopted and strictly exercised, the extended jurisdiction could close some 116 international straits to shipping and large expanses of ocean to aircraft. As it was, some countries were demanding that foreign warships provide 24-hour notice before entering their new territorial waters and that nuclear submarines passing through straits—perhaps on their way to secret stations—travel on the surface.

Looking for ways to induce other countries to guarantee unimpeded navigation, the U.S. hit on the idea of bringing in marine natural resources—notably manganese nodules. Oceanographic research had revealed the abundance of the nodules, particularly the rich deposits in the international waters of the eastern Pacific. In the Sixties, enthusiastic scientists and would-be mining entrepreneurs portrayed those seafloors as being paved with trillions of dollars' worth of fairly high-grade sources of manganese, copper, nickel, and cobalt. Metal prices were high and climbing; grades of ores from onshore mines were declining. U.S. companies—familiar corporate names such as Kennecott and Lockheed and less familiar ones such as Sedco and Deepsea Ventures—surveyed prospective seabed claims and developed techniques for lifting nodules from their three-mile-deep resting places and refining them. To help raise capital and spread financial and political risk, the companies acquired partners abroad.

The 77 saw an opportunity

At first everyone presumed that the nodules fell under the centuries-old doctrine of freedom of the seas—that, like fish, they were free for the taking. But in 1966, President Johnson, in a burst of 1960s-style openhandedness and sentimentality, characterized the nodules as belonging to all nations. In 1970 the U.N. declared them to be the "common heritage of mankind"—L.B.J.'s very words. The U.S. voted in favor of the declaration. A clause in it said that no country could exercise rights over the international seabed ex-

continued

CONSORTIUM	PARTICIPANTS	COUNTRY	SHARE
KENNECOTT CONSORTIUM	Sohio	U.S.	40%
	Rio Tinto-Zinc	U.K.	12%
	Consolidated Gold Fields	U.K.	12%
	British Petroleum	U.K.	12%
	Noranda	Canada	12%
	Mitsubishi Mitsubishi Metal Mitsubishi Heavy Industries	Japan	12%
OCEAN MINING ASSOCIATES	U.S. Steel	U.S.	25%
	Union Miniere	Belgium	25%
	Sun	U.S.	25%
	Ente Nazionale Idrocarburi (ENI)	Italy	25%
OCEAN MANAGEMENT INC.	Inco	Canada	25%
	Metallgesellschaft Preussag Salzgitter	West Germany	25%
	Sedco	U.S.	25%
	Dornco	Japan	25%
OCEAN MINERALS CO.	Standard Oil (Indiana)	U.S.	30.7%
	Lockheed	U.S.	30.7%
	Royal Dutch Petroleum	Netherlands	30.7%
	Royal Bos Kalis Westminster	Netherlands	7.9%
AFERNOD	Societe Metallurgique Le Nickel	France	N.A.
	Chantiers de France-Dunkerque	France	N.A.
	Two French government agencies		
DEEP OCEAN MINERALS ASSOCIATION	Mitsubishi Heavy Industries Kawasaki Heavy Industries Kobe Steel Nippon Steel 34 other companies	Japan	N.A.

Ocean Miners in Stormy Weather

So far, six consortia have been set up to mine seabed manganese nodules when politics and economics permit. But four of the six are already undergoing a lot of strain because of the Reagan Administration's rejection of the Law of the Sea Treaty. Under that treaty, companies from non-signatory countries won't be granted mining rights. U.S. companies will probably either move abroad or give up on seabed mining.

Kennecott, a founding member of one consortium, has been absorbed by Sohio, which in turn is controlled by British Petroleum. So Kennecott's ocean-mining arm could probably find a haven in Britain—assuming that Britain ratifies the treaty. Some U.S. participants are trying to induce Latin American governments to provide a home, offering to locate nodule-refining plants in the domicile countries.

Conflicting attitudes toward the treaty have created tensions among consortium members. Lockheed, for example, has stirred up uneasiness in its Dutch partners with its tough anti-treaty stance. Like BP, Royal Dutch has oil-drilling, shipping, and marketing interests that might be endangered by ill will in the Third World.

Sedco, a specialist in offshore oil drilling, has developed mining technology for its consortium partners, but is now disenchanted with nodules, having ideological objections to the treaty and better things to do with its money. But Sedco's partner Inco, which produces 30% of the non-Communist world's nickel, is still interested in seabed mining even though some of its onshore mines are shut down. It has nightmarish visions of big oil companies cutting into its share of the nickel market.

cept in accordance with a new treaty.

In authorizing the U.S. vote, President Nixon saw the proposed treaty as an opportunity to obtain worldwide agreements to keep straits open, assure U.S. rights of navigation and marine research within 200-mile waters, provide mechanisms for settling disputes, and resolve other troublesome issues associated with the oceans.

These expectations failed to anticipate torpedoes from two directions. At the U.N., the newly militant Third World voting bloc known as the Group of 77 saw law-of-the-sea negotiations as an opportunity to advance its New International Economic Order, aimed at obtaining a more equal distribution of the world's wealth. The Group of 77 drove a hard bargain on seabed mining. Among other things, it insisted that all mining be carried out under contract to an International Seabed Authority, which would divert part of the profits to the Third World. Some members of the Group of 77, joined by some developed mining countries like Canada, Australia, and New Zealand, also demanded limits on seabed production to protect their metal prices.

The other main source of trouble was the embryonic U.S. ocean-mining industry itself. It did not care for Nixon's scheme, and its friends in Congress strongly opposed the Group of 77's demands.

Verging on the bizarre

Deadlocked over seabed mining, the treaty negotiations dragged out until 1976, when Secretary of State Henry Kissinger put forward a package of compromises, which were adopted. He proposed a dual system that would allow mining both by private operators and by an internationally owned entity, which came to be referred to as the Enterprise. Kissinger suggested that the Enterprise might get help from its private competitors—not only capital but also access to proprietary mining and processing technology. One provision carried international generosity to an almost bizarre extreme: before a private company could obtain a permit to mine a new seabed site, it would first have to prospect *two*

continued

sites, and then the Enterprise would be allowed to pick the one it wanted.

By 1980 it finally looked as though a treaty was within reach, a treaty that would effect many changes in international law. It would grant coastal nations 12-mile territorial seas plus the rights to natural resources in a 200-mile "economic zone." But it would also guarantee freedom of passage for ships and aircraft of signatory nations. It would establish standards covering marine pollution and set up an international tribunal to resolve disputes. A final conference to iron out a few remaining differences was scheduled for the spring of 1981.

Washed-away memory

Then Reagan was elected. The new Administration paid little attention to the formidably complex sea-law issues until shortly before the final session was to begin, two months after Reagan took office. By that time, government had little institutional memory about such issues as navigation, which had prompted the U.S. to initiate the LOST process to begin with. Instead the Defense Department suddenly became preoccupied with strategic metals, notably manganese and cobalt, which the U.S. imports largely from Communist or unstable Third World countries. And the Administration became preoccupied with questions of precedent and free-enterprise ideology.

A few days before the conference the Administration abruptly fired the old Carter delegation's leaders and demanded a year's delay in the negotiations while it studied the whole treaty with a fresh team. The year-long study turned into a bitter and confused affair. Badly divided, the various government agencies argued their narrow concerns with little regard for the overall package of U.S. maritime interests. Many of the bureaucrats most knowledgeable about the history of LOST were either transferred or intimidated into silence. Some of them contend that middle-level political appointees deliberately kept their Cabinet and White House superiors in the dark about the complex web of U.S. interests and options.

The intellectual vacuum was filled by lobbyists from the mining companies and by people like Secretary of the Interior James Watt and Theodore Kronmiller, a deputy assistant secretary at State, who were outraged by the thought that private U.S. enterprises would put up the capital and take the risks for the benefit of a centrally planned international regime. Some of the Third World's other demands seemed designed to inflame this reaction—the insistence, for example, that part of the seabed-mining proceeds should go to movements like the Palestine Liberation Organization.

Some of those involved in the U.S. deliberations say that Kronmiller and others really sought to sabotage the LOST negotiations by imposing demands they were fairly sure the other side would never accept. For instance, they demanded that all ceilings on seabed production be eliminated, even though the ceilings actually negotiated appear to be so liberal as to have no practical effect.

More moderate members of the U.S. delegation, including the chief negotiator, Washington lawyer Leigh Ratiner, agreed that some of the treaty's features were unacceptable. These included the absence of guarantees that the international seabed authority would actually authorize a private company to mine once it had spent, say, $200 million on exploration and

continued

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equipment. The moderates also objected to a provision for a future review conference, in which arduously negotiated compromises might be changed by a vote of the member nations. And they didn't like the requirement that mining companies sell their technology to the Enterprise.

Ratiner probably knows more about the law of the sea and Third World attitudes toward it than anybody else in the U.S., having spent some 16 years as a government sea-law functionary, chief negotiator in several sessions, and lobbyist for Kennecott and various other outfits interested in ocean industries. From that seasoned perspective, he believes that all the substantive objections could have been removed in the recent negotiations. Agreeing with that estimate is Elliot Richardson, who headed the U.S. law-of-the-sea delegation in the Carter Administration. Ratiner contends that the U.S. negotiating position was undermined by the hard-liners' rigid and unrealistic demands, which convinced the Group of 77 that the U.S. wasn't negotiating in good faith.

This conviction was bolstered by a strategy the U.S. delegation has been energetically pursuing: an attempt to persuade other Western countries and Japan to join the U.S. in a "reciprocating states agreement" or "mini-treaty" independent of LOST. Each country would pledge to recognize the mining rights and claims of all the others. The U.S. hoped that by the sheer weight of economic power represented in the mini-treaty it could prevent the maxi-treaty from supplanting the freedom-of-the-seas principle in international law.

Unfortunately the scheme probably won't succeed. Given the choice between joining a legally dubious mini-treaty to mine an economically marginal resource and joining a maxi-treaty with multiple benefits, the other industrial countries seem to prefer the latter. For one thing, most of them are more sensitive than the U.S. to trade relations and goodwill in the Third World. In April, to be sure, several of these countries abstained on a vote to adopt a treaty draft, but odds are that most will eventually ratify the treaty.

The Group of 77 cleverly helped spike the mini-treaty scheme this spring by sweetening the mining provisions. In effect, they agreed to create for the first generation of mining consortia a worldwide cartel guaranteeing them exclusive access to the seabed for 30 to 50 years, while protecting prices by controlling production. This "prior investment protection" clause for miners has driven a wedge between the U.S. and its allies. Moreover, it will probably either break up the mining consortia or cause their American participants to move abroad. The American companies have acquired connections with sophisticated foreign outfits, including oil companies, which not only tend to be tolerant of such arrangements but also have larger interests to protect. (See box, page 134.)

A sort of smorgasbord

Despite the Administration's recent denouncement of LOST, based on its mining provisions, the U.S. is still trying to keep a hand in the proceedings that deal with navigation and the scores of other provisions that it would like to see become international law. The delegates are scheduled to meet in Caracas in December to sign the "final act," one step short of the actual treaty. Some officials say the U.S. plans to sign this non-binding document, which will permit it to participate as an observer in some of the technical sessions dealing with various issues. But the U.S.

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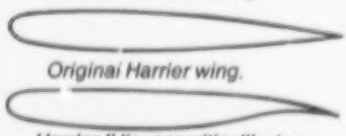
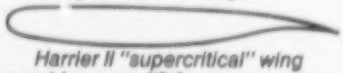
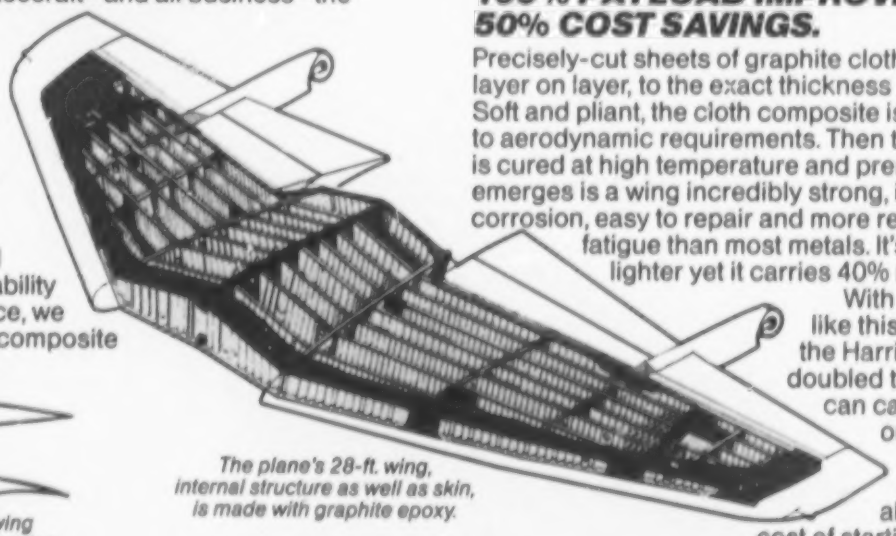


Original Harrier wing.



Harrier II "supercritical" wing provides more lift for maneuvering, more efficient cruising, more space for fuel.



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*Harrier II is the derivative of the British Aerospace Harrier now in service.

says it will not participate in the seabed-mining sessions, nor sign the treaty when it is ready in January. In effect, the Administration seems to regard the treaty not as a give-and-take bargain but as a smorgasbord from which it can pick items it likes.

Some American mining companies and their supporters in government claim, for example, that seabed mining is still covered by the doctrine of freedom of the seas. But the U.S. itself acknowledged doubts about that doctrine years ago when it induced the rest of the world to sit down and clarify the matter. LOST is the outcome of that process, and it will soon become part of international law. It will, among other things, deny a go-it-alone miner's right to stake out a seabed-mining claim. And without a widely recognized claim, no company can prudently invest the kind of money it will take to harvest manganese nodules. Surveys by the General Accounting Office and the Department of Commerce support the unsurprising conclusion that banks will not lend the $1.2 billion or more required to equip a mining venture when the claim is disputed. So for all their free-enterprise rhetoric, some of the companies have been counting on the U.S. government to subsidize them or insure them against the risk of mining outside the treaty. Few Washington observers give those hopes much chance.

At any rate, government's preoccupation with the mining issues in LOST seems misplaced. Based on current metal prices and anticipated mining costs, an MIT model projects a rate of return to mining companies of only 9.5%—too low to trigger investment. Someday, no doubt, as onshore mines are depleted, seabed mining will make economic sense. Depending on whose projections you believe, that could be anywhere from ten to about 25 years from now. Whenever the time comes, mining outside the treaty will be riskier than mining within it.

Whales, for example

Right now, nobody in authority in Washington seems to have any clear ideas about what the U.S. should do that doesn't sacrifice the very benefits the U.S. originally sought to preserve. The Administration has been preoccupied with the precedents the treaty would establish, such as the "common heritage" and seabed-authority concepts, which they hold to be antithetical to American concepts of private property and of rewarding those who make efforts and take risks. But it's hard to find much practical substance in these concerns. As for precedents, U.S. governments and corporations have long dealt with all kinds of alien, sometimes absurd, regimes and institutions. And there's nothing novel about international regulation of common resources. Radio frequencies are one example. Whales are another.

Something else that bothered the Administration about the treaty was the application of the one-nation, one-vote principle to control of seabed resources. Opponents of the treaty feared that the huge voting majorities of the Communist and Third World countries might swamp Western interests. Initially, changes could be made only by unanimous consent. But 20 years after mining starts, changes could be imposed by three-quarters of the countries voting. Like the other Administration fears, this one appears to be exaggerated. At the very worst, the U.S. could always withdraw from the treaty.

Some oil company representatives and others in the mining consortia privately acknowledge that the treaty really isn't all

that bad compared with many business deals in the Third World. "A good thing about the treaty," one man observes, "is that if the seabed authority tries to screw you, it's not just an expropriation, it's a treaty violation."

The fees and taxes to be paid to the authority are comparable to those some countries impose on mining enterprises ashore. And given the nation's interest in access to strategic materials, there is a fair likelihood that the federal government would credit the imposts against U.S. taxes, as is usually the case with foreign taxes now. Moreover, an analysis by the Bureau of Mines discounts the seriousness of the technology-transfer provisions. A company has to transfer only technology that the Enterprise can't find anywhere else, and the bureau says there are at least four manufacturers for every component of seabed-mining hardware. In any case, the Enterprise would have to pay a fair price, arrived at by commercial arbitration. Finally, the treaty's prior-investment-protection clause, with its cartel-like protections against new entrants and overproduction, would make life more relaxed for the companies that qualify—though that, to be sure, would not necessarily serve the public interest.

As matters are shaping up, the question of whether seabed mining—when it eventually comes about—will be a good deal under LOST scarcely matters since no American company is likely to mine outside the treaty anyway. What matters more is the cost to the U.S. of going its own way. It could be argued that the U.S. would be better off if there were no LOST at all. But that option doesn't exist. Whether the U.S. ratifies or not, the treaty will come into force one year after at least 60 countries ratify, possibly as soon as 1984.

Here come the gunboats

The LOST process has already begun to affect the behavior of coastal nations. Unlike national law, international law has traditionally been determined primarily by custom. LOST amounts to an explicit program to fix law by international agreement instead, but custom—that is, what countries are allowed to get away with—will continue to exert a shaping force on the treaty's actual effects. Since the treaty amounts to a delicate bargain between countries with widely diverse interests, adherents will have an incentive to prevent other countries from getting away with much.

An analogous instance was the U.S. challenge last year to Libya's unilateral claims in the Gulf of Sidra, a challenge that took the form of downing two Libyan fighter planes. It's conceivable that some countries will be prepared to challenge any unilateral moves by non-signatories to mine oceans or even to traverse straits. Some states, Indonesia, Malaysia, Algeria, and Morocco among them, are already arming themselves with Exocet missiles, torpedoes, and gunboats to enforce the sovereignty authorized by LOST. Retaliatory expropriation or sabotage of American commercial interests abroad cannot be ruled out.

But even these consequences of the Reagan policy are less disquieting than the habits of mind it represents. It's the kind of policy that incurs considerable costs but no commensurate gains, that is better suited to raising ideological fervor in think tanks than to furthering national interests—the kind of policy that was a trademark of the Carter Administration in its worst days. F

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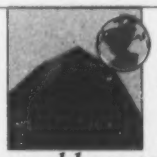


TRYING TIMES ABROAD *The office tower at right, construction halted for lack of funds, stands as mute comment on the battered world economy. The special section that begins on this page describes the efforts of business to turn trying times to advantage. The global slump, etched in charts beginning on page 156, has clobbered earnings of the world's 50 biggest industrial corporations (page 181) and the 500 largest industrials abroad (page 182); gains for the top 100 foreign banks have been slim (page 196). Yet Merrill Lynch senses profits abroad (page 164): it has forged a link with a Hong Kong financier who may become its biggest shareholder. And the woes of International Harvester are attracting a German entrepreneur (page 174) who, by acquiring losers, is building a construction equipment colossus.*

by ALEXANDER STUART

The euphoria that swelled with Mexico's emergence in the late 1970s as the world's fourth-largest oil producer has dissipated with the force of a ruptured balloon. But to José Angel Gurria, 32, Mexico's director of foreign financing, the pessimism clinging like black crepe to the country is as misplaced as the giddy optimism of two years ago. "We were never as good as we looked," he says. "And we're not as deep in trouble as it would seem today." Many American investors seem to agree. As Claudio X. González, managing director of Kimberly-Clark de Mexico, 43% owned by the U.S. paper products company, puts it: "This is one of the most reboundable economies in the world."

Mexico has bounced back lustily from past slumps, racking up average real growth over the last 30 years of about 6% a year compounded, while the U.S. economy was growing 3.2% annually. Mexico was the U.S.'s third-largest trading partner last year, behind Canada and Japan.

Research associate: David Weld Stevens

American business has big bucks riding on Mexico—about $7 billion in direct investments. Moreover, the Mexican government and private industry, having tried to push ambitious industrial development programs too fast, are in hock up to their sombreros to American banks, which hold around 70% of the country's external debt. By the end of this year, FORTUNE estimates, public debt owed to foreign lenders will reach about $65 billion (see chart, page 148). Finance Minister Jesús Silva-Herzog, 47, expects total external debt to reach $80 billion by December. That would make Mexico the non-Communist world's most indebted nation.

U.S. executives may be forgiven a little timorous knee-knocking under boardroom tables. For the fate of those Yankee dollars south of the border depends on what happens to the Mexican economy, which has come to a sputtering halt. After an 8% surge in each of the last three years, Mexico's real gross domestic product—gross national product less earnings from foreign investments—will probably show no increase from now through the first

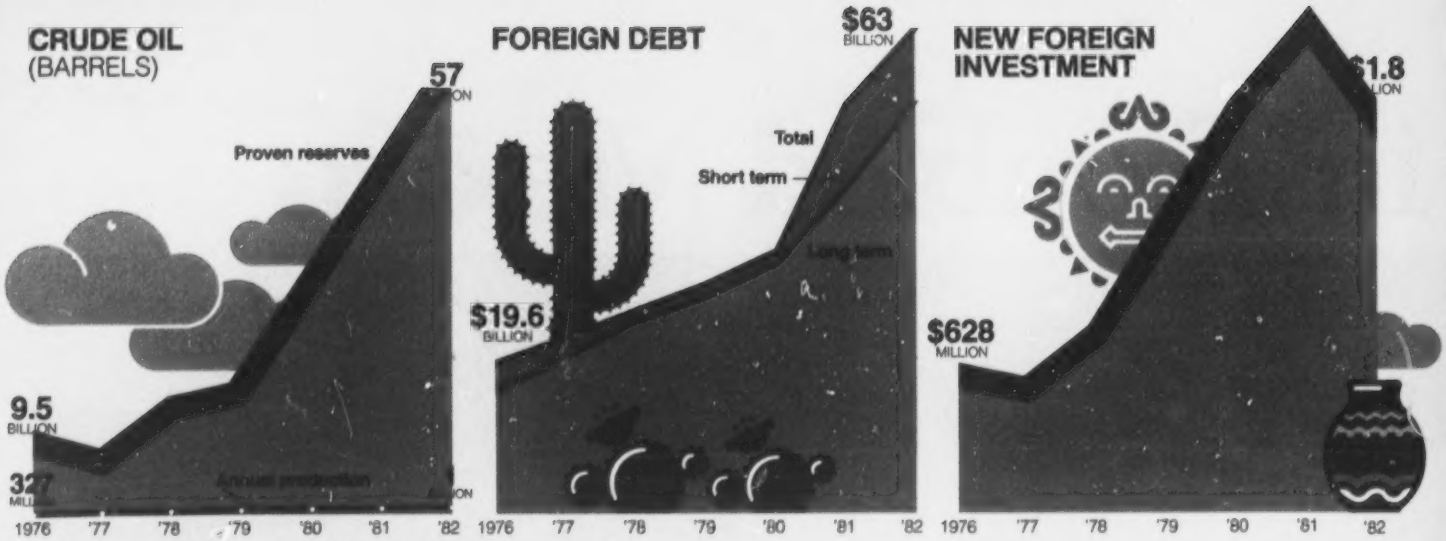
continued

U.S. companies keep investing in new ventures, counting on tough austerity measures to bring an economic revival.

in Troubled Mexico

Photographs by Alon Reininger—Contact

Mexico's oil company stopped building its headquarters at government behest. A parking garage (foreground) still rises.



Sources: Diemex-Wharton Econometrics, American Petroleum Institute, International Monetary Fund.

Mexico's Economic Landscape

The steep upward slope of proven oil reserves (above left) shows how fast Mexico's geologic blessings multiplied after 1976. Oil production merely tripled, because oil revenues were poured into non-oil projects rather than into pipelines and storage facilities. To finance ambitious spending programs, public debt to foreigners grew dramatically. A shortfall in 1981 oil revenues caused the bulge in short-term borrowings. New foreign investment spurted but is expected to tail off this year from 1981's peak of $2.25 billion. The 1982 figures for debt and investment are FORTUNE estimates.

quarter of 1983. Says one Yankee businessman who has worked in Mexico City for almost 15 years: "I've never seen people quite so far down."

The litany of woe is prodigious. Inflation has climbed to an unprecedented 60% annual rate. Devalued 30% last February, the peso has continued to fall against the dollar; from a predevaluation 26 pesos to $1, the exchange rate has gone to 49 pesos to $1. The government's deficit as a percent of GDP has more than doubled since 1980 to around 15% (the U.S. deficit this fiscal year will be about 2% of GNP). The Mexican stock market has lost three-quarters of its value since the 1981 peak, a collapse that approaches the famous bust in Dutch tulip prices 345 years ago.

Though it has a 72-billion-barrel cache of hydrocarbons—a 12-fold increase in proven reserves of oil and natural gas since 1977—Mexico can't simply pump its way out of trouble by turning valves. Petróleos Mexicanos (Pemex), the national oil company, has tripled production in five years, to roughly three million barrels per day; domestic consumption is running around 1.25 million barrels, and daily exports in June reached 1.7 million barrels. To further increase the output of crude would require spending billions on production platforms, oil-storage facilities, and the like—money the nation doesn't have right now. And even if Pemex had an extra million barrels or so a day to pump, it probably would not be able to peddle the stuff in the present soft international oil market without a drastic reduction in price. Mexico could end up selling a lot more oil for about the same amount of money.

The wallowing of the economy this year is accentuated by the rhythms of Mexico's sexennial presidential succession. Drift and a general decline in economic activity traditionally attend the waning days of a presidency, with a resurgence soon after the new team arrives on the scene. In December, President-elect Miguel de la Madrid Hurtado will succeed José López Portillo. Although De la Madrid, 47, is highly thought of by Mexican businessmen, his precise prescriptions for the economy have been shrouded in campaign rhetoric.

The price of caution

Yet dozens of interviews by FORTUNE with Mexican and American businessmen, bankers, and others suggest they take it on faith that De la Madrid, once in office, will continue the spartan economic policies finally imposed by the López Portillo government in April. While U.S. investors will almost certainly trim new outlays in Mexico this year by as much as 20% in response to current conditions, old hands in the territory—especially those who have successfully endured past cycles—see signs that the austerity program is beginning to produce results. For example, severe import restrictions helped produce a positive balance of trade for the first five months of 1982, after a $2-billion deficit in the same period last year. The old hands appear to have lifted their sights beyond the current trough. Over the next year or two, businessmen look for a cooling of inflation, an easing of credit, and renewed, if more modest, growth.

Some Yankee investors recall that they paid a price for excess caution six years ago. In the 1976 presidential interregnum, an economic slump brought the first peso devaluation in 22 years (there have been two since). "We froze," says the managing director of a U.S. consumer product company's Mexican subsidiary—meaning that he held back on expanding his plant and lost sales when the economy revived.

The long view is being encouraged by McKinsey & Co., the U.S. management consulting firm. Says John Lutz, director in charge of McKinsey's Mexico City office: "We're telling our clients that now is a great time to lay the foundation for 1983 and beyond." José Carral, Bank of America senior vice president and its top man in Mexico, predicts that 1983 could be "one of the highest years ever for new investment." Carral has good reason to hope for

continued

Surplus natural gas lights the sky over the Bay of Campeche in the Gulf of Mexico. The U.S. buys a relatively small amount of Mexican gas—about 300 million cubic feet a day—but negotiations to double its take haven't got off the ground.

a prompt turnaround—his bank has almost $3 billion of Mexican loans, the largest portfolio of any foreign bank.

In March, Hewlett-Packard Co., the California computer outfit, announced its intention to build a plant near Guadalajara to manufacture minicomputers. The company aspires to build a business in Mexico exceeding $100 million a year in five years. "Half our business is outside the U.S.," says Richard Love, Hewlett-Packard's director of international manufacturing. "If we stopped overseas activity whenever and wherever there was a slowdown, we'd get nothing accomplished."

Tourism in Mexico has virtually collapsed; the country's net revenues from the leisure game fell 66% in 1981 to about $2.3 billion. But Marriott Corp., the American hotel and restaurant company, seems confident that travelers will one day return. Marriott has agreed to buy Las Hadas, a resort on the Pacific, and plans to build a large hotel in Monterrey.

General Electric might be expected to have lost its enthusiasm for Mexican ventures after the second phase of a $20-billion nuclear power complex, for which GE hoped to be a contractor, fell victim to the government's austerity measures. But Robert F. McCracken, GE's vice president for planning and development in Mexico, says: "Discouraged? All I know is that we've been exploring two big joint ventures with Mexican partners in the last couple of months." McCracken won't discuss details, since GE's board has not yet approved the deals. "We haven't shelved any of our long-term visions for the country," says David C. Brezic, who works for McCracken in strategic planning.

"We need partners"

Other foreign investors are eager to get into Mexico but can't find a local partner with pesos in his pockets. Mexico's restrictive foreign investment laws require that outsiders surrender at least 51% of the action in most projects to Mexicans. Trouble is, the nation's credit markets are as dry as dust these days, and the locals are conserving every peso to keep their own operations going. Bank of America's Carral says he has a European client who wants to put $500 million into petrochemicals "immediately"—but can't find a Mexican company able to ante up its share of the initial capital.

Some deals have been deferred or canceled. Cydsa, a Monterrey-based producer of chemicals, fibers, and heavy equipment, decided almost a year ago to cut back on debt It has postponed construction of a plant that was to manufacture medium-size earthmovers, the costliest phase of a $250-million joint venture with Caterpillar.

Mexicans recoil at the prospect of laboring under the gringo's boot. But when it suits a national purpose, the government will bend those nettlesome investment laws. The Foreign Investment Commission has allowed Hewlett-Packard to own 100% of its new computer plant because the government wants to stimulate domestic manufacture of computers. Now

General Motors' $100-million Chevrolet assembly plant near Saltillo in northern Mexico came on stream last year, but the line runs only one shift a day. The cars are for the Mexican market and for export to other Latin American countries.

that the country urgently requires fresh venture capital instead of new debt, more bending may be in the offing. "We need partners, not creditors," is the oft-repeated phrase of Manuel Espinosa Yglesias, 73, chairman of Centro Bancomer, Mexico's biggest bank.

Many foreign investors remain eager for partnership because they are mindful of the tangible assets that Mexico enjoys: oil, silver, copper, sulfur, zinc, and many other natural resources. They see a continuing demand among the country's 70 million people—current depressed conditions notwithstanding—for consumer products, electronic equipment, trucks, autos, and all the other benchmarks of progress in a developing nation. And they are eyeing that 1,800-mile border with Mexico's rich neighbor up north as an export target. Almost $31 billion of trade shuttled back and forth across the Rio Grande in 1981, with the U.S. accounting for 60% of Mexico's foreign sales.

For investors to cash in on Mexico's promise, the nation must first deal with troubles that trace to two causes—oil and money. The economy ignited when oil revenues spurted from $420 million in 1976 to over $13 billion last year. The country simply could not absorb all those additional dollars chasing after goods and services without virulent inflation. "The genie got out of the bottle," says Joseph Grunwald, a senior fellow specializing in Latin America at Washington's Brookings Institution.

Mexico's development ambitions soared with its oil revenues. Those ambitions found expression in a 1979 program the government saw as a "global plan for development." The scheme in part was a bold reach to deal with the staggering contradiction of the economy: that a country capable of such dazzling performance in the aggregate could yet contain elements so poor, so hungry, and so little used. Roughly 40% of the population earns only 10% of the national income; at least 18 million Mexicans are malnourished, and some 45% of the work force are either unemployed or underemployed.

Accordingly, the No. 1 objective of the development plan was job creation. Rapid growth was needed to achieve that end; the growth, it was thought, would flow from pumping money into agriculture and such capital-intensive industries as energy, petrochemicals, and steel. If inflation reared up as a side effect, so be it. Growth was the passion that animated the global plan, not fiscal conservatism.

Pied pipers went south

The achievements of the plan have been impressive. Four million new jobs were created. Productive capacity in trucks, automobiles, and cement roughly doubled. In 1981, for the first time in years, Mexico became self-sufficient in corn and beans, the main staples of the Mexican diet. But the development scheme's true costs—inflation and excessive imports among them—were masked by a swift-flowing stream of petrodollars.

Foreign banks, in particular U.S. institutions, must bear at least part of the responsibility for spurring Mexico along the road to excess. "Planes couldn't get us there fast enough to lend them money," says a senior vice president of a New York bank's international department. The pied pipers from north of the border shoveled loans into the Mexican economy with almost blind enthusiasm.

" 'Take more,' they told us," recalls Alfonso González Migoya, vice president and chief financial officer of Cydsa, the Monterrey conglomerate. When Cydsa executives journeyed to New York last November to tell the company's bankers why they thought the Mexican economy was fast going sour, González recalls, some of the lenders protested that they were being overly cautious.

A California bank chairman recently bemoaned the mess at Monterrey's Grupo Industrial Alfa, the diversified steel, metal, and chemical producer that in April suspended payments on $2.3 billion of debt owed to more than 100 Mexican and foreign banks. "How could this have happened?" the banker asked a senior Western diplomat. "You let it happen," the diplomat replied. Says a New York lender: "It got so we didn't even review the Mexican

portfolio on a regular basis. We just saw those oil reserves increasing."

Out of myopia and machismo, Mexico also failed to recognize the reality of the oil glut that caused its revenues to tumble in 1981. When Pemex tried to prop its price for crude above the weakening market, the nation lost some $7 billion in oil revenues from canceled purchase contracts. (The contracts were later renewed at lower prices.) Still more revenues evaporated with falling prices for silver, copper, sulfur, and other commodities.

To make up the shortfall of revenues, the government embarked on a frantic round of short-term borrowing. Loans maturing in less than one year increased from 5% of Mexico's public debt in 1980 to 22% at the end of last year. As the difference between the U.S. and Mexican inflation rates widened, nervous Mexicans sent pesos abroad by the billions. At home, they converted pesos to dollars as fast as they could—"dollarized," they call it in Mexico City—and dollar deposits in Mexican banks increased 85% in 1981. So cheap was the dollar that it cost Mexicans less to vacation in Miami for two weeks than in Acapulco. Still, the February devaluation came as a shock to a people who perceive the strength of the currency as one with the national character.

The government frittered away the benefits of the devaluation by waffling on policy. Several so-called stabilization programs were announced, then immediately discarded, revised, or otherwise softened. More pesos lit out for the border. In March López Portillo took firm action at last: he installed Miguel Mancera, 49, in the top spot at the Bank of Mexico, the central bank, and Silva-Herzog as head of the Finance Ministry. Both men are thought to be allied with the incoming president, and the appointments were cheered by businessmen. "Silva-Herzog is a force for realism," says a Yankee.

The 17-point austerity program unveiled in April represents the first coherent attempt to chart the way to recovery. It aims to limit the net increase in the public sector's foreign debt to $11 billion this year, down from $18 billion in 1981. Other worthy goals include slashing imports and the federal budget, while boosting revenues through increases in tariffs and in the prices of subsidized goods and services.

The April measures have exacerbated the credit crunch. By requiring Mexican banks to purchase additional treasury obligations, for example, the Bank of Mexico has raised the effective reserve requirement on deposits to as much as 90%, sharply reducing funds available for lending. Local banks have only a trickle of money to offer even the soundest clients, and interest rates are hovering around 55%. The excruciating squeeze is intentional, Mancera says. The hope is that it will force all those pesos on the lam abroad to return home.

The waiting agnostics

A U.S. economic resurgence, with its increased demand for imports, would help get Mexico back on the road to prosperity—though trade relations between the two countries continue to be prickly, hung up on issues ranging from illegal immigration to the importation of natural gas. But more than anything else, Mexico's recovery hinges on how rigidly the government adheres to its own austerity plan. On paper the April program dedicates Mexico to at least 18 months of ascetic living. It is, in fact, tougher than the strictures imposed on supplicants for loans by the International Monetary Fund, that global police-

continued

man of troubled economies. The IMF provides its clients more than money; its monitoring puts a kind of seal of approval on a country's credit rating that foreign lenders find reassuring.

Mexico turned to the IMF during its last fiscal crisis in 1976. This time around, the nation would like to go it alone. But that may prove difficult—skepticism about the April measures abounds. "We're all kind of agnostic at best," says one Mexican consultant. "With a government that has overspent announced budgets by as much as 30% a year, why should we believe that it will actually be able to make cuts?" Mancera concedes that the fastest way to make believers of the agnostics would be to turn to the IMF: "If we do not go to the IMF—and the intention is not to go—it will take longer to have that credibility."

Mexico's challenge for the remainder of the year is to wrest about $6 billion of net new borrowings from the capital markets. Most bankers believe that to be possible. Big money-center banks seem willing to ride out the storm with their troubled client, though some regional banks have turned antsy about new Mexican loan participations. Gone is the era, however, when Mexico could scoop up funds at three-eighths of a point over the London interbank-offered rate, the Euromarket's version of the prime. The spread, or the difference between a bank's cost of funds and the rate it charges customers, has more than tripled on recent Mexican loans, and could widen in the months ahead. That fattens the yield on Mexican securities. Consider Mexico's $100-million, 15-year Eurobond offering in July. The 18.5% interest rate was a record high, and the deal was oversubscribed within days.

No place for fictions

A general decline in world-market interest rates would be a wonderful thing for Mexico. Absent that, what could stem the splay of spreads is a perception in the lending community that Mexico means business about its austerity program. The incoming De la Madrid administration could further enhance credibility by putting an end to many of what the Mexicans call fictions—essentially subsidies—that are so prevalent. The Mexico City subway, for example, carries three million fares a day at 1 peso per ride (about 2 U.S. cents). The true cost of subway service is estimated at anywhere from 7 to 40 pesos per trip. Gasoline is also underpriced, at about 55 U.S. cents per gallon.

Subsidies to agriculture are extraordinarily generous. Producers can buy fertilizer, seed, and insecticides at 30% to 70% of cost, with 12% credit (vs. that 55% market rate). To that add crop insurance and sky-high price supports for such commodities as corn and beans, says S. Kenneth Shwedel, senior economist at the Banco Nacional de México, and "there's practically no way you can lose money on those products."

Perhaps the only sure thing about the coming months is that Mexico is in for a harsh period of readjustment, one that could strain its vaunted political stability. As the strains intensify, political considerations could persuade the new president to soften the austerity program. Still, the business community is clearly betting on Miguel de la Madrid's ability to hang tough—and to get the Mexican economy moving again. It's possible that a skittish bookie might not take bets on those two propositions just now. But a surprising number of well-informed American companies already have.

Kellogg's

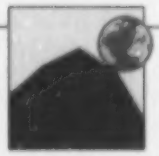
$75,000,000 debt restructuring

The undersigned acted as advisor
and guarantor to Kellogg Company
in this transaction

Morgan Guaranty Trust Company *of New York*

June 1982

A World Economy

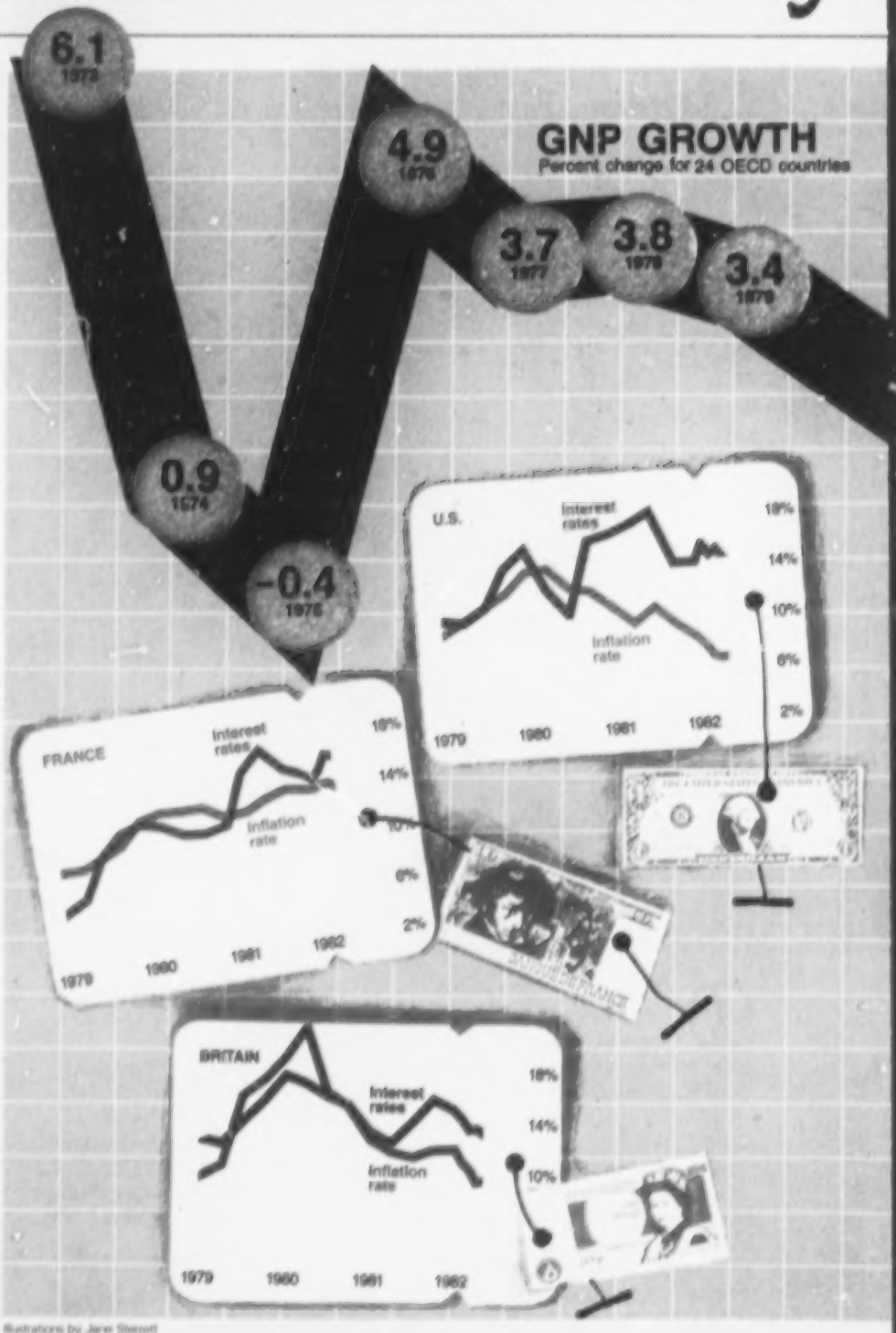


The world economy finally seems about to emerge from the doldrums. It will be a slow recovery at first, and will remain slow as long as interest rates stand so high. The outrageous inflation that spawned them is abating, but the rates hang high for several reasons, including worries about huge fiscal deficits in the U.S. and lack of confidence in the Federal Reserve's management of the money supply. Interest rates continue to cramp capital investment, retard consumer spending, and play havoc with the world's currencies. They are something the world could do nicely without.

As the charts on this and the following pages illustrate, the economic situation is not entirely dismal—at least not for the highly developed nations of the West. Those nations have been making handsome gains in productivity, although the gains have been achieved amid the worst unemployment levels since the 1930s—levels that are expected to go on rising even after economic recovery is well under way. The Western nations have also shown strong improvements in their balance of payments, thanks largely to the continued weakness in the market for OPEC oil. Of course, that turn of events doesn't seem so cheery to the OPEC member nations, whose once heavy payments surplus is plunging toward zero.

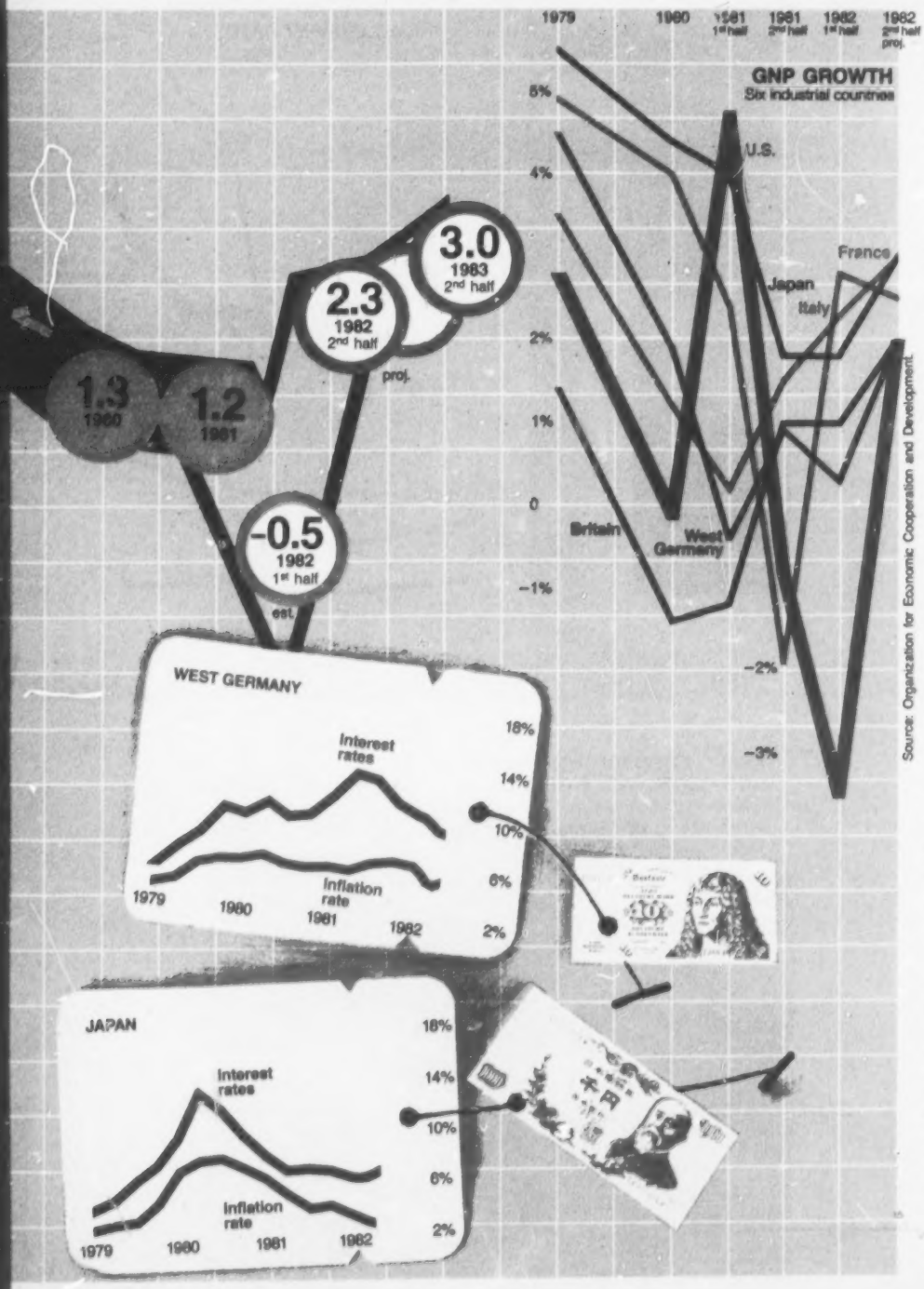
The true victims of the global slump are the newly industrialized countries. Like everyone else, they have suffered from the recession; with their heavy reliance on exports, they have suffered especially from the diminished buying power of their customers in developed nations. Their balance of payments has sorely deteriorated, and they have been forced to place procrustean controls on their economic growth. They have also been hit especially hard by high interest rates, since they are voracious borrowers. These countries, whose economic and political stability is now threatened, are proving troublesome customers for their bankers in more privileged nations.

—ARTHUR M. LOUIS



Illustrations by Jane Stanott

Ready to Struggle Back



The Deepest Plunge Since World War II

The annual GNP growth rate, adjusted for inflation, has been declining steadily in recent years among the major industrial nations. The thick sagging line at far left shows the composite performance of the 24 members of the Organization for Economic Cooperation and Development, consisting mainly of the advanced, non-Communist countries. During the first half of this year the OECD members suffered a decline in real GNP—what the economists euphemistically call negative growth—as the world slipped into its worst recession of the postwar period. Dragging heavily on the overall performance was the U.S., where GNP slumped at an annual rate of 3.5% in the first half of this year, following a 0.8% rate of decline in the second half of 1981. Many experts predict that a modest upturn in the world economy is just around the corner, spurred by an expected rebound in the U.S., and the OECD predicts that it will continue at least through 1983. The chart at near left indicates that of six major OECD nations, all but the U.S. had "positive growth" in the first half of 1982. The U.S. economy has whipsawed through a W-shaped fluctuation, while the growth lines of the other countries have been more or less V-shaped. The U.S. was hit squarely by two recessions; the other countries passed through a single slump.

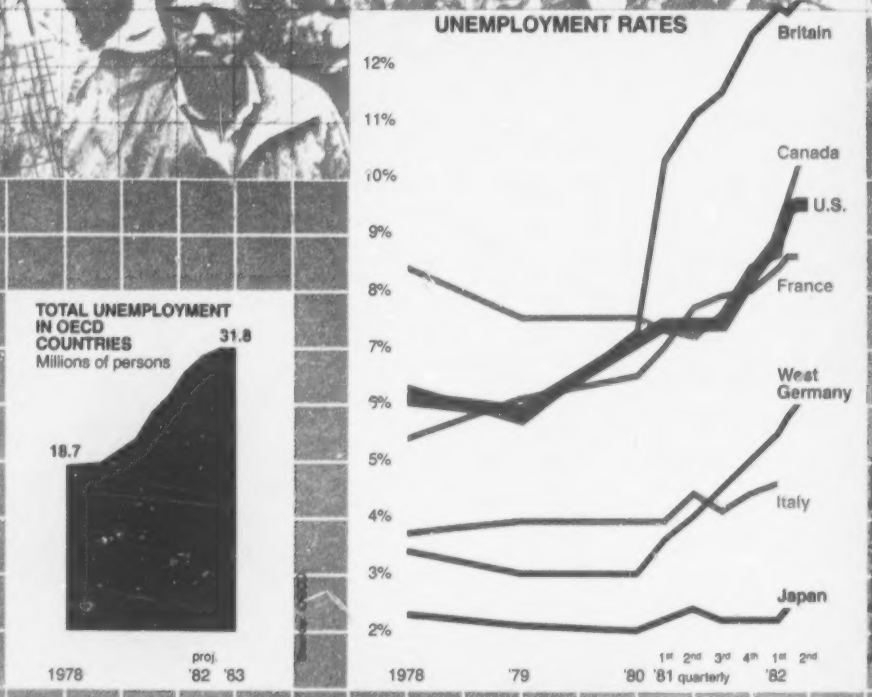
Interest Rates and Prices on Divergent Paths

A strong, enduring economic recovery cannot be achieved while interest rates remain phenomenally high. The current cost of money discourages capital investment and expenditures on durable goods, essential ingredients of a healthy economy. The root of the problem is the U.S., where at midyear short-term interest rates exceeded the inflation rate by eight percentage points, far above the long-term average of two percentage points. The high rates in the U.S. have attracted investors from all over the world, prompting other nations to keep their own rates artificially high, lest their currencies lose too much ground to the dollar. Departing somewhat from this policy are West Germany, which has eased its monetary policy, and Japan, which has not been seriously troubled lately by either inflation or tight money.

continued

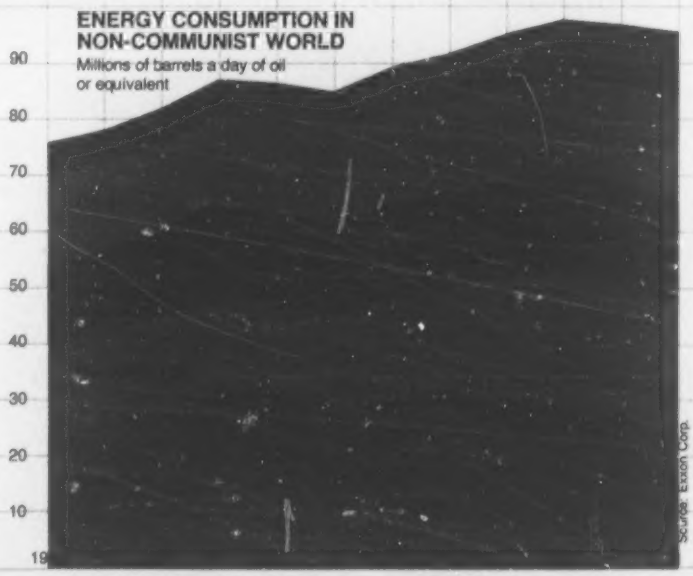
Swelling Multitudes of Job Seekers

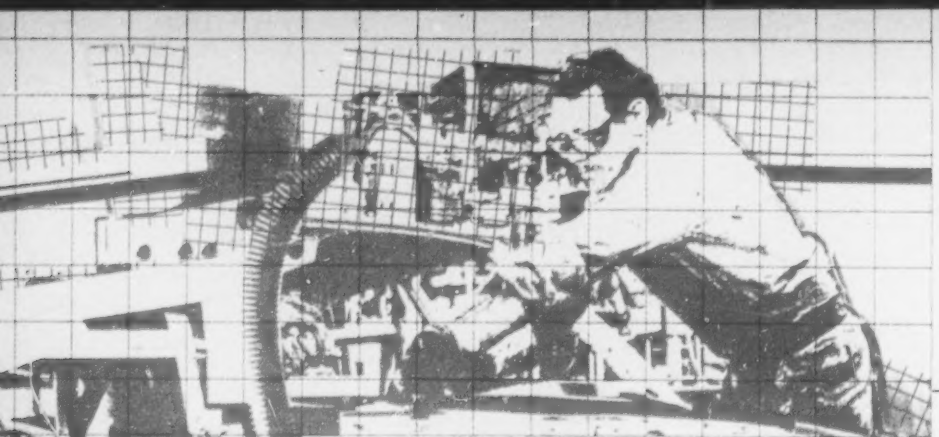
The human cost of the world economic slump can be seen in the unemployment figures, which are heading up—and even off—the charts. The potential for political upheaval is frightening, yet thus far there have been little more than peaceable demonstrations, possibly because government transfer payments have eased the hardship. "Fifteen years ago," remarks a U.S. economist, "there would have been rioting in the streets." The smaller chart at right includes an OECD forecast that total unemployment among its member nations will move up from 29.3 million at present to 31.8 million next year. The organization's chief economist, Sylvia Ostry, explains that whatever capital the industrial nations have invested lately has gone into labor-saving equipment, and this will prevent the rise in employment that usually accompanies a recovery. But Britain, with the highest unemployment rate among the largest industrial countries, may prove an exception. Richard M. Young, an economist with Chase Econometrics, observes that British corporations cut costs much more than they would have in a milder downturn: "They are working very close to the bone at this point, and they will have to reemploy people coming out of the recession."

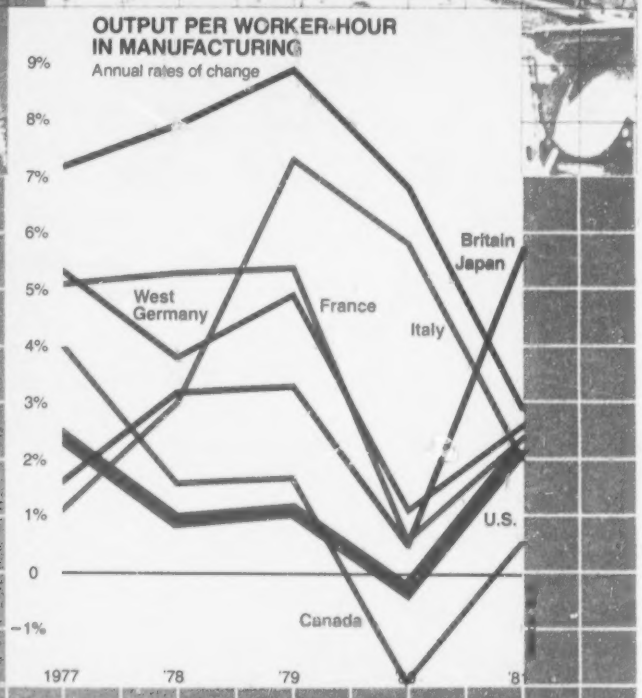


The Oil Cartel's Weakening Grip

OPEC isn't what it used to be. This became plain in 1981 when, for the first time on record, the 13-member cartel accounted for less than half the non-Communist world's oil consumption. OPEC's contribution was 23.5 million barrels a day, down 25.6% from the 1979 level. Since nearly an eighth of that oil was consumed by the member countries, exports were barely above 20 million barrels a day. These continued to fall early this year, and during March OPEC's members agreed to limit their total exports to 17.5 million barrels a day. By July they were in open dispute on how to limit production and prop up prices. Total energy consumption has been gradually declining since 1979, mainly because of the slowdown in industrial activity. Conservation has also played a part. Since 1973, consumption per unit of GNP has declined 16%.

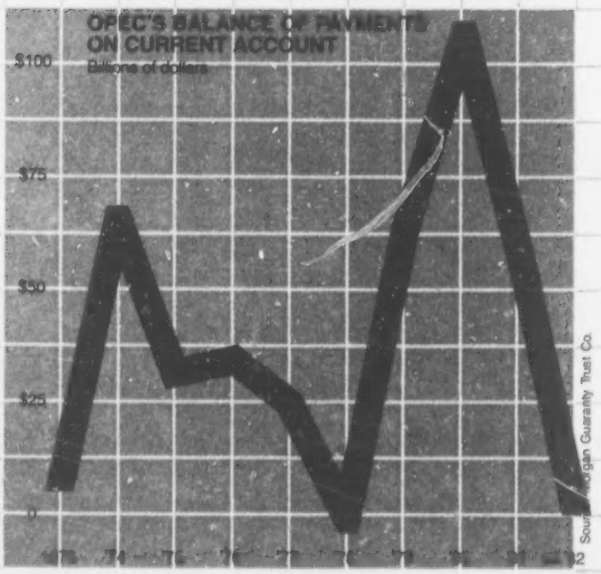






Hopeful Omens in a Productivity Rebound

The sluggish world economy has produced an unusual side effect: an uptick in productivity in most of the major industrial nations. In past recessions, employers have been slow to lay off workers as output declined, and productivity has dropped. This time, corporations have felt more pressure to curb their work forces and boost efficiency. Thus in Britain, whose economy has taken the worst tumble among the seven countries charted at left, productivity made the biggest leap during 1981. As the chart shows, Japan and Italy were exceptions to the rule. The recession hit Japan relatively late in the year, and Japanese corporations had only begun to trim employment by year's end. In Italy, where the labor force is notoriously rigid because of powerful unions and government resistance to layoffs, employers can never cut enough people from the payrolls during hard times. Productivity in the industrial countries should climb handily over the next year if, as the OECD predicts, their economies recover while companies cautiously rebuild work forces. Rising productivity, coupled with continued moderation in wage increases, could cause unit labor costs to taper off, and with them, perhaps, the underlying inflation rate.



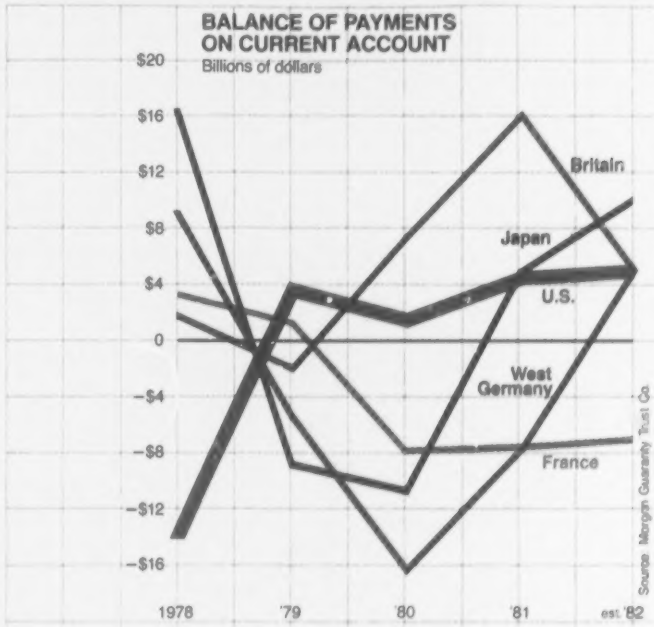
A Vanishing Tower of Petrodollars

The demand for Middle Eastern oil may be down, but the price remains annoyingly high. Spot prices, which apply to about 5% of the oil sold, did plunge as low as $28 a barrel in March, when it seemed that OPEC could no longer maintain its posted price of $34 on long-term contracts. But the spot price rebounded when OPEC announced plans to curtail production, and was still hovering close to $32 in late July, despite the dissension among OPEC members. The weak demand has ravaged the composite balance of payments for the OPEC countries, which soared in 1974, dipped, and zoomed to a stratospheric $106-billion surplus in 1980. Economists predict the figure will plunge to around zero this year. Some OPEC countries have cut back sharply on imports and are spending and investing less lavishly in foreign lands.

continued

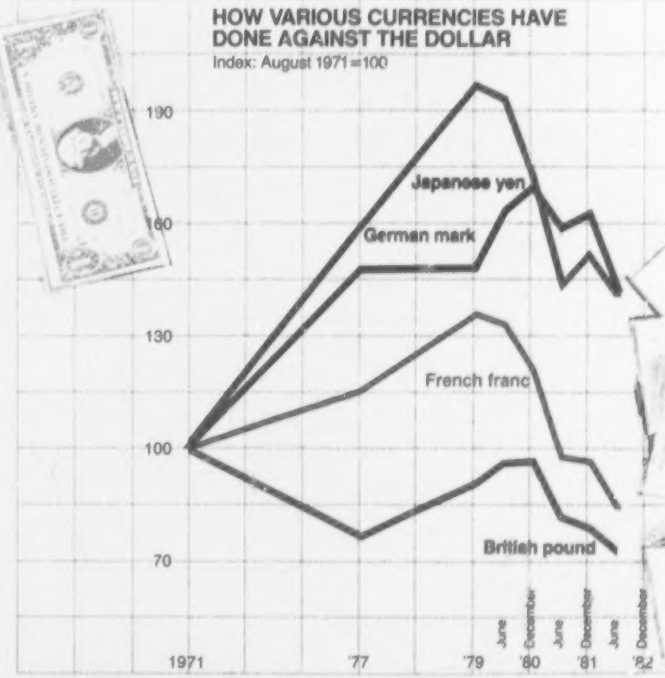
OPEC's Loss Is the Big Five's Gain

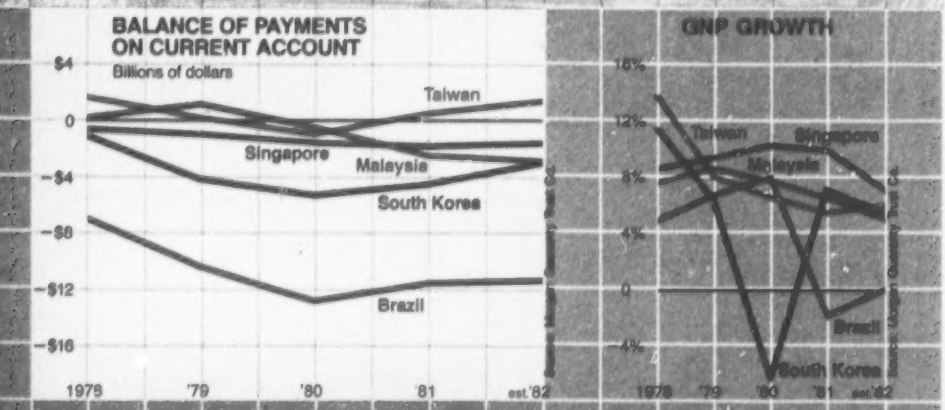
Thanks in part to a slackening dependence on OPEC oil, as well as a steep decline in the price of imported raw materials, the balance of payments has improved in the highly developed nations. As the chart indicates, all of the Big Five made gains during 1981, and all but Britain should gain again this year. With the economy perking up, Britain has stepped up its imports of food and manufactured goods, particularly from the European continent. Inventories are expanding, and British inventories tend to be import heavy. Energy-poor France's balance went awry when oil prices zoomed in 1980; France is now the only member of the Big Five with a payments deficit. The fiscal policies of the Mitterrand government have stimulated consumer demand both for imported goods and for domestic goods that might otherwise be diverted to export. The most impressive performers on the chart are West Germany, which is moving back to the plus side, and Japan, which returned there in 1981.

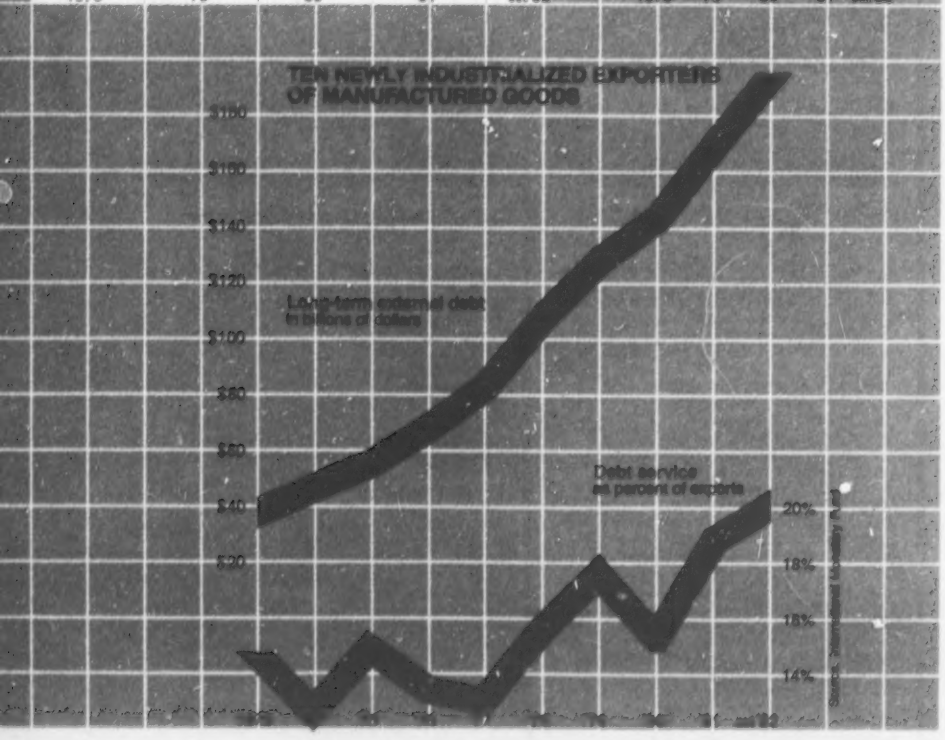


A Strong Dollar Batters Other Currencies

High interest rates in the U.S. have strengthened the dollar against other currencies, reversing a trend that began with President Nixon's first devaluation decree in 1971. Foreign investors have been spurning money and capital markets at home, and transferring their funds to the U.S. or to the Eurodollar market. The dollar also has been bolstered by America's perceived role as a safe haven in a troubled world, and by the Reagan Administration's success in stemming inflation. Nations whose currencies weaken against the dollar encounter hardships; most notably, OPEC oil becomes more expensive for them since the OPEC countries quote their prices in dollars. But Roger Brinner of Data Resources Inc. points out that a weakening currency also produces a side benefit: it encourages exports while discouraging imports, thus helping to strengthen a country's balance of payments. Europeans who want U.S. interest rates to come down, Brinner says, fail to realize they would "lose the competitive edge they gained from a strong dollar."







Where Recession Hits Hardest

The current economic climate is all wrong for the newly industrialized nations. Because they depend so heavily on exports for their fiscal health, they are suffering out of proportion now that their best customers—the highly developed countries—are muddling through a recession. The slackening demand for goods produced by these nations has driven prices way down, but the cost of their imports, especially oil, has remained high. The effect on their balance of payments has been devastating. Of the five nations charted, four are in chronic deficit. The governments of the newly industrialized countries have sought to keep their current accounts within reason by limiting imports and deliberately reining in their economies. The results of these desperate measures can be discerned in the chart of GNP growth. In most of the countries growth has stagnated, and in Brazil, where the screws have been turned especially tight to combat steep inflation, growth has been choked off.

In Hock More than Ever

Newly industrialized countries borrow heavily from banks in the U.S. and Europe in an effort to expand, modernize, and stimulate their production. In less than a decade long-term external debt has increased fivefold in the ten non-oil exporters charted at left. (They are Argentina, Brazil, Greece, Hong Kong, Israel, Portugal, Singapore, South Africa, South Korea, and Yugoslavia.) As the debt increases, so does the cost of servicing it, though the burden doesn't seem quite so onerous when debt service is expressed as a percentage of export volume. This ratio has ratcheted upward, partly because of soaring interest rates. Bankers are becoming concerned about the creditworthiness of countries that have been hit especially hard by the recession. If debt keeps climbing, the newly industrialized countries may have to de-emphasize domestic ownership and allow more foreign investment within their borders. Some Latin American countries have already taken such steps.

Research for charts: Lorraine Carson

The Largest Industrial Companies in the World

(Ranked by sales)

In 1981 the 50 largest industrial corporations in the world had their worst year since FORTUNE began to rank them eight years ago. Their total profits declined by 4.4%, or $2.3 billion. The increase in sales for the 50 companies last year was only 6.5%, and even that unimpressive gain was illusory: it ran considerably behind the average rate of inflation for the 12 countries represented on the list. Between 1974, when the list was started, and 1980 the compound annual rate of increase in sales was over 20%.

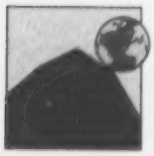
Once again, the U.S. has more companies on the list than any other country. Twenty-one of the companies are American (in red at right), and 12 of those are oil companies. Germany had seven companies on the list and Japan five. The Japanese companies showed revenue increases of 17.5% and profit increases of 5.5%, while the German companies declined by both measures.

As they have since 1975, oil companies dominate the list this year. Twenty-two of the 50 companies on the list are in oil. Of the top ten, eight are oil companies. The joining of several sectors of the industry into a single company put Kuwait Petroleum, unlisted last year, into 19th place. The largest jump by a previously listed company was made by Du Pont, which went from No. 38 last year to No. 16 this year. Oil explained Du Pont's rise in the world: in 1981 it acquired Conoco, which ranked 25th in 1980. Next year U.S. Steel may be the big gainer, since its acquisition of Marathon Oil should give it a lift like the one Du Pont got this year.

RANK '81	RANK '80	COMPANY	HEADQUARTERS	SALES ($000)	NET INCOME ($000)
1	1	**Exxon**	New York	108,107,688	5,567,481
2	2	**Royal Dutch/Shell Group**	The Hague/London	82,291,728	3,642,142
3	3	**Mobil**	New York	64,488,000	2,433,000
4	4	**General Motors**	Detroit	62,698,500	333,400
5	5	**Texaco**	Harrison, N.Y.	57,628,000	2,310,000
6	6	**British Petroleum**	London	52,199,976	2,063,272
7	7	**Standard Oil of California**	San Francisco	44,224,000	2,380,000
8	8	**Ford Motor**	Dearborn, Mich.	38,247,100	(1,060,100)
9	12	**Standard Oil (Ind.)**	Chicago	29,947,000	1,922,000
10	9	**ENI**	Rome	29,444,315	383,234
11	11	**International Business Machines**	Armonk, N.Y.	29,070,000	3,308,000
12	10	**Gulf Oil**	Pittsburgh	28,252,000*	1,231,000
13	16	**Atlantic Richfield**	Los Angeles	27,797,436	1,671,290
14	14	**General Electric**	Fairfield, Conn.	27,240,000	1,652,000
15	17	**Unilever**	London/Rotterdam	24,095,898	800,379
16	38	**E.I. du Pont de Nemours**	Wilmington, Del.	22,810,000	1,401,000
17	15	**Française des Pétroles**	Paris	22,784,032	175,807
18	18	**Shell Oil**	Houston	21,629,000	1,701,000
19	•	**Kuwait Petroleum**	Safat (Kuwait)	20,556,871*	1,690,312*
20	22	**Elf-Aquitaine**	Paris	19,666,141	682,316
21	20	**Petróleos de Venezuela**	Caracas	19,659,115	3,316,040
22	13	**Fiat**	Turin (Italy)	19,608,480	N.A.
23	33	**Petrobrás (Petróleo Brasileiro)**	Rio de Janeiro	18,946,056	831,215
24	34	**Pemex (Petróleos Mexicanos)**	Mexico City	18,804,190	40,790
25	21	**International Telephone & Tel.**	New York	17,306,189	676,804
26	23	**Philips' Gloeilampenfabrieken**	Eindhoven (Netherlands)	17,069,155	143,682
27	24	**Volkswagenwerk**	Wolfsburg (Germany)	16,822,215	99,451
28	27	**Daimler-Benz**	Stuttgart	16,281,398	365,212
29	37	**Nissan Motor**	Yokohama (Japan)	16,245,315	490,200
30	19	**Renault**	Paris	16,229,762	(124,916)
31	26	**Siemens**	Munich	16,029,835	208,157
32	39	**Phillips Petroleum**	Bartlesville, Okla.	15,966,000	879,000
33	45	**Matsushita Electric Industrial**	Osaka (Japan)	15,738,106	714,675
34	36	**Toyota Motor**	Toyota City (Japan)	15,712,540	619,666
35	44	**Hitachi**	Tokyo	15,519,416	596,363
36	41	**Tenneco**	Houston	15,462,000	813,000
37	29	**Hoechst**	Frankfurt	15,292,750	132,167
38	42	**Nippon Steel**	Tokyo	15,196,945	341,198
39	43	**Sun**	Radnor, Pa.	15,012,000	1,076,000
40	30	**Bayer**	Leverkusen (Germany)	14,985,272	224,634
41	47	**Occidental Petroleum**	Los Angeles	14,707,543	722,216
42	•	**BAT Industries**	London	14,301,022*	370,903
43	35	**Nestlé**	Vevey (Switzerland)	14,172,074	492,604
44	46	**U.S. Steel**	Pittsburgh	13,940,500	1,077,200
45	31	**BASF**	Ludwigshafen on Rhine	13,707,434	162,890
46	48	**United Technologies**	Hartford	13,667,758	457,686
47	50	**Standard Oil (Ohio)**	Cleveland	13,457,091	1,946,898
48	28	**Peugeot**	Paris	13,396,308	(368,825)
49	40	**Imperial Chemical Industries**	London	13,338,305	376,983
50	32	**Thyssen**	Duisburg (Germany)	13,063,961	(32,341)
		TOTALS		**1,282,816,420**	**50,937,083**

THE FORTUNE DIRECTORY OF THE LARGEST INDUSTRIAL CORPORATIONS OUTSIDE THE UNITED STATES

The Foreign 500



Battered by worldwide recession, the 500 largest industrial companies outside the U.S. had a miserable time in 1981. The symbol at left traces the path of the Foreign 500's profits for the last five years. After a 13.3% decline in 1980, the drop accelerated to 24% in 1981. The increase in sales of 4.7% last year was the smallest since the first Foreign 500 in 1976. And the list of 93 money losers has never been so long.

The persistent strength of the U.S. dollar explains part of the Foreign 500's pervasive weakness. FORTUNE converts the results for every company into dollars, which rose in value against almost all foreign currencies. For example, the German mark fell 19.4% against the dollar last year. German companies were hard hit: profits were cut almost in half at both Volkswagen and Siemens, the electronics company. Four German corporations were pushed off this year's list; 58 still qualified.

Except for those that are government-owned, the 92 British companies listed showed unexpected gains in profits despite the 12.9% decline in the pound sterling relative to the dollar. Thanks to much improved productivity, British companies on the Foreign 500 lifted their total revenues by more than 10% and their profits by 7.3%. Both Plessey, the electronics company, and BOC Group, a chemical company, had profit increases of over 60%.

With 130 companies on the list, Japan had more than any other country. The 2.7% rise in value of the yen against the dollar gave the Japanese a small lift, but they didn't seem to need it. Their total sales went up by 19.7% and profits increased by 9.3%. Three Japanese companies never before on the list won rankings this year.

The Foreign 500 includes the subsidiaries of U.S. companies that are incorporated abroad. Thirty-eight such subsidiaries are on the list this year. Several of them are siblings. Three subsidiaries of IBM, for example, are listed; of them, only IBM France (No. 157) showed an increase in profits. The largest foreign subsidiary of any U.S. company is General Motors of Canada (No. 38). Next is Esso Petroleum of Britain, a subsidiary of Exxon, which ranked No. 40, up nine places from 1980.

State-owned losers

The largest losses among the Foreign 500 were suffered by state-owned enterprises. The top five losers are all state-owned; two of them, in England and Italy, are steel companies. Several other big losers among the nationalized companies, such as Sweden's SWEDYARDS, a shipbuilding company, Britain's National Coal Board, and BL (formerly British Leyland) also lost money in 1980. The most profitable state-owned enterprises were oil companies, notably those from countries that did not belong to the OPEC cartel and were not bound by OPEC's high prices. Among them were ENI (No. 3), Statoil (No. 206), and Empresa Nacional del Petróleo (No. 313). On the whole, though, the oil glut hit hard at the total profits of oil companies, which fell 37.4% from 1980.

The change of government in France is bringing big changes to French companies on the list. Six of them, including Générale d'Electricité (No. 32) and Saint-Gobain (No. 44) appear for the last time as private-sector enterprises. The Socialist government of François Mitterrand has voted to nationalize all six this year. Across the Channel, Margaret Thatcher is imbued with the opposite philosophy. British Aerospace (No. 145) is now flying on its own: the Thatcher government sold a majority interest in the company last year.

Faring worst of all were the mining companies. Overall, mining showed median declines of 10.6% in sales and 34.4% in profits. Leading the way down was once lustrous De Beers, the world's foremost producer and marketer of diamonds, which dropped 170 places to No. 339.

Several of the 11 companies that made the list for the first time this year were created by mergers. Fletcher Challenge, a New Zealand company that makes building materials and wood products, was put together from three separate corporations and is now No. 303. A big drop in rank resulted from a sundered merger: Dunlop Holdings and the Italian rubber company, Pirelli, broke up after 11 years of disappointing union.

In the auto industry the Japanese were the stars. The 20 Japanese manufacturers of motor vehicles more than doubled their profits last year. The median for the industry worldwide was a relatively measly 4.2% increase. Among the foreign affiliates of General Motors, Ford, and Chrysler, aggregate income fell 41.4%. Of them, only Ford did well abroad, more than doubling its profits last year. Volvo's increase in sales, which totaled $9.5 billion, brought it up 34 places to No. 35. Almost all of that increase came from Volvo's acquisition of Beijerinvest, a giant Swedish trading company.

—TOM POST and LOUIS S. RICHMAN

THE 500 LARGEST INDUSTRIAL CORPORATIONS OUTSIDE THE U.S. (ranked by sales)

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES[1] ($000)	ASSETS[2] ($000)	NET INCOME[3] ($000)	STOCKHOLDERS' EQUITY[4] ($000)	EMPLOYEES
1	1	**Royal Dutch/Shell Group**	Neth.-Britain	Petroleum	82,291,728	65,255,540	3,642,142	25,247,360	166,000
2	2	**British Petroleum**	Britain	Petroleum	52,199,976	47,949,685	2,063,272	14,793,375	153,250
3	3	**ENI[5]**	Italy	Petroleum	29,444,315[6]	22,133,664[6]	383,234[6]	2,194,836[6]	122,796[6]
4	6	**Unilever**	Britain-Neth.	Food products; soaps, cosmetics	24,095,898	12,552,634	800,379	4,841,503	292,000
5	5	**Française des Pétroles**	France	Petroleum	22,784,032[6]	13,982,819[6]	175,807[6]	3,739,106[6]	47,260[6]
6	96	**Kuwait Petroleum[6,7,8]**	Kuwait	Petroleum	20,556,871*	8,856,262	1,690,312*	5,508,888	12,586
7	9	**Elf-Aquitaine[5]**	France	Petroleum	19,666,141[6]	21,113,629[6]	682,316[6]	5,543,664[6]	58,600[6]
8	8	**Petróleos de Venezuela[5]**	Venezuela	Petroleum	19,659,115	20,714,040	3,316,040	16,741,987	42,150
9	4	**Fiat**	Italy	Motor vehicles and parts	19,608,480	N.A.	N.A.	N.A.	314,845
10	19	**Petrobrás (Petróleo Brasileiro)[6]**	Brazil	Petroleum	18,946,056	14,036,488	831,215	5,448,184	66,207
11	20	**Pemex (Petróleos Mexicanos)[6]**	Mexico	Petroleum	18,804,190	45,072,720	40,790	20,715,240	131,000
12	10	**Philips' Gloeilampenfabrieken**	Netherlands	Electronics, appliances	17,069,155	17,405,211	143,682	5,766,571	348,100
13	11	**Volkswagenwerk**	Germany	Motor vehicles and parts	16,822,215	11,337,244	99,451	2,700,248	246,906
14	13	**Daimler-Benz**	Germany	Motor vehicles and parts	16,281,398	9,127,723	365,212	683,125	187,961
15	23	**Nissan Motor[6]**	Japan	Motor vehicles and parts	16,245,315	11,698,941	490,200	4,194,905	98,641
16	7	**Renault[5]**	France	Motor vehicles and parts	16,229,762[6]	11,831,738[6]	(124,916)[6]	1,872,104[6]	215,844[6]
17	12	**Siemens[10]**	Germany	Electronics: computers	16,029,835	14,653,409	208,157	3,693,591	338,000
18	27	**Matsushita Electric Industrial[11]**	Japan	Electronics, appliances	15,738,106	13,465,400	714,675	5,827,819	117,888
19	22	**Toyota Motor[7]**	Japan	Motor vehicles	15,712,540[12]	8,052,556[12]	619,666[12]	4,865,887[12]	48,757[12]
20	26	**Hitachi[6]**	Japan	Electronics, appliances	15,519,416	16,152,236	596,363	4,661,074	151,295
21	15	**Hoechst**	Germany	Chemicals	15,292,750[6]	11,670,887[6]	132,167[6]	2,410,112[6]	184,722[6]
22	25	**Nippon Steel[6]**	Japan	Metal manufacturing—steel	15,196,945	16,734,347	341,196	2,734,408	74,431
23	16	**Bayer**	Germany	Chemicals	14,985,272[6]	12,853,910[6]	224,634[6]	3,023,007[6]	180,906[6]
24	29	**BAT Industries**	Britain	Tobacco	14,301,022*	9,552,020	370,903	4,247,470	169,500
25	21	**Nestlé**	Switzerland	Food products; beverages	14,172,074	9,943,998	492,604	4,850,635	145,815
26	17	**BASF**	Germany	Chemicals	13,707,434[6]	8,884,910[6]	162,890[6]	1,387,798[6]	116,646[6]
27	14	**Peugeot**	France	Motor vehicles and parts	13,396,308[6]	9,995,869[6]	(368,825)[6]	1,790,310[6]	218,000[6]
28	24	**Imperial Chemical Industries**	Britain	Chemicals	13,338,305	13,669,270	376,983	5,658,825	132,400
29	18	**Thyssen[10]**	Germany	Metal refining—steel; indus. equip.	13,063,961	7,796,044	(32,341)	1,220,000	149,264
30	28	**Mitsubishi Heavy Industries[6]**	Japan	Motor vehicles; indus. equip.	12,408,234	17,760,984	101,372	1,318,161	95,000
31	38	**Idemitsu Kosan[6]**	Japan	Petroleum	11,804,081[12]	8,903,064[12]	55,424[12]	117,319[12]	7,811[12]
32	30	**Générale d'Electricité**	France	Electronics, appliances	10,485,315[6]	11,999,194[6]	74,607[6]	930,789[6]	180,400[6]
33	40	**Canadian Pacific**	Canada	Metal refining—steel; mining	10,290,790	13,765,693	405,065	3,312,301	129,223
34	41	**National Coal Board[5,9]**	Britain	Mining—coal	9,795,489	9,615,378	(135,239)	175,475	296,000
35	69	**Volvo**	Sweden	Motor vehicles and parts	9,538,577	6,674,887	89,988	894,538	76,085
36	42	**Toshiba[6]**	Japan	Electronics, appliances	9,535,911	9,741,374	231,129	1,329,546	99,000
37	32	**Petrofina**	Belgium	Petroleum	9,244,555	6,281,473	284,308	1,411,682	21,000
38	43	**General Motors of Canada**	Canada	Motor vehicles and parts	8,688,965[13]	2,933,119	(8,592)	737,977	43,076
39	34	**Veba Oel**	Germany	Petroleum; chemicals	8,574,107[6]	3,545,940[6]	32,113[6]	656,920[6]	24,228[6]
40	49	**Esso Petroleum**	Britain	Petroleum	8,509,687	6,545,635	415,449	912,759	9,105
41	60	**General Electric Co.[9]**	Britain	Industrial equipment; electronics	8,100,318	7,547,636	755,047	3,594,772	193,000
42	36	**Ruhrkohle**	Germany	Mining—coal	8,091,598	5,746,964	12,082	273,595	136,552
43	39	**Thomson-Brandt**	France	Electronics, appliances	8,079,164[6]	7,905,121[6]	(13,625)[6]	547,470[6]	129,000[6]
44	31	**Saint-Gobain[14]**	France	Building materials; metal products	8,049,020[6]	6,907,227[6]	83,180[6]	1,661,268[6]	135,559[6]
45	35	**Montedison**	Italy	Chemicals	7,945,030[6]	7,710,360[6]	(550,910)[6]	825,720[6]	94,203[6]
46	33	**Esso**	Germany	Petroleum	7,739,899[13]	2,590,622	180,518	582,443	4,592
47	37	**Pechiney Ugine Kuhlmann**	France	Metal refining—aluminum, steel	7,584,684[6]	N.A.	N.A.	N.A.	71,000[6]
48	68	**Honda Motor[15]**	Japan	Motor vehicles and parts	7,545,423	4,655,544	422,151	1,608,444	38,481
49	47	**DSM[6]**	Netherlands	Chemicals	7,375,625[6]	4,104,216[6]	40,488[6]	935,881[6]	30,020[6]
50	67	**Maruzen Oil[6]**	Japan	Petroleum	7,347,172	5,346,461	(120,060)	(7,601)	4,579

N.A. Not available.
*Fortune estimate.
[1]All companies on the list have derived more than 50% of their sales from manufacturing and/or mining. Sales do not include excise taxes or customs duties levied according to either volume or value of sales, and so the figures for some companies—most of which sell gasoline, liquor, or tobacco—may be lower than those published by the companies themselves. Unless otherwise noted, figures exclude intracompany transactions and include consolidated subsidiaries more than 50% owned, either fully or on a prorated basis. Figures have been converted to dollars using an exchange rate that consists of the average rate in the official exchange market during each company's fiscal year (ending December 31, 1981, unless otherwise noted).
[2]Total shown at each company's year-end. Figures have been converted to dollars at the market rate prevailing at each company's year-end.
[3]After taxes, minority interest, and extraordinary items. Figures have been converted to dollars at the average market rate during each company's fiscal year. Figures in parentheses are losses.
[4]Total at each company's year-end. Figures have been converted to dollars at the market rate prevailing at each company's year-end. Minority interest is not included.
[5]Government-owned.
[6]Also includes certain subsidiaries owned 50% or less, either fully or on a prorated basis.
[7]Figures are for fiscal year ending June 30, 1981.
[8]Named changed from Kuwait National Petroleum on July 1, 1981.
[9]Figures are for fiscal year ending March 31, 1981.
[10]Figures are for fiscal year ending September 30, 1981.
[11]Figures are for fiscal year ending November 20, 1981.

THE 500 LARGEST INDUSTRIALS OUTSIDE THE U.S.

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
51	72	Hyundai Group	South Korea	Shipbuilding; motor vehicles; indus. equip.	7,211,590	5,625,340	106,431	1,066,231	135,000
52	52	Ciba-Geigy[10]	Switzerland	Chemicals; pharmaceuticals	7,061,961	8,897,737	273,152	5,507,858	80,179
53	54	Esso	France	Petroleum	6,996,730	2,583,092	55,574	358,291	4,783
54	57	British Steel[5,9]	Britain	Metal refining—steel	6,911,710	7,637,383	(2,386,576)	2,250,360	120,900
55	50	Mannesmann	Germany	Metal products; indus. equip.	6,852,006	4,809,518	115,483	1,115,623	106,660
56	65	Nippon Kokan[9]	Japan	Metal manufacturing—steel	6,800,386	11,500,692	169,374	1,081,647	37,254
57	78	Imperial Oil	Canada	Petroleum	6,677,691	5,981,644	387,898	3,407,244	16,314
58	51	Rhône-Poulenc	France	Chemicals	6,649,021[6]	5,874,181[6]	(61,995)[5]	985,040[6]	89,350[6]
59	46	Schneider	France	Industrial equipment; metal refining—steel	6,609,603[6]	10,452,945[6]	(63,346)[6]	178,750[6]	107,000[6]
60	55	Gutehoffnungshütte[7]	Germany	Indus. and transportation equip.	6,601,801	4,979,372	44,478	571,605	86,896
61	45	Fried. Krupp	Germany	Metal refining—steel; indus. equip.	6,589,828	4,694,457	(20,858)	714,439	82,194
62	58	AEG-Telefunken	Germany	Electronics, appliances	6,589,169[6]	4,828,564[6]	1,389[6]	359,262[6]	123,700[6]
63	71	Sumitomo Metal Industries[9]	Japan	Metal refining—steel	6,284,568	9,358,523	223,164	1,153,103	33,983
64	94	Indian Oil[5,9,16]	India	Petroleum	6,264,507	2,895,093	102,107	613,667	21,099
65	56	Ford Motor	Britain	Motor vehicles and parts	6,228,326[13]	5,141,775	334,420	2,320,980	75,100
66	44	Michelin	France	Rubber products	6,227,783[6]	8,377,541[6]	(66,628)[6]	2,260,877[6]	115,000[6]
67	66	Toa Nenryo Kogyo	Japan	Petroleum	6,159,826	3,614,602	71,908	742,587	4,021
68	62	Rio Tinto-Zinc	Britain	Mining—alum., lead, zinc, copper, iron	6,122,325	9,054,695	377,388	2,762,962	65,759
69	83	Mitsubishi Electric[9]	Japan	Electronics, appliances	6,058,141	5,491,383	158,203	1,123,962	60,011
70	92	George Weston Holdings[9]	Britain	Food products	6,049,054	2,239,396	104,630	763,490	N.A.
71	80	Grand Metropolitan[10]	Britain	Beverages; food products	6,038,071	5,369,514	323,537	2,209,577	131,757
72	73	Ford Motor of Canada	Canada	Motor vehicles and parts	6,011,674	1,831,415	(82,501)	583,160	34,200
73	86	Schlumberger	Neth. Antil.	Measuring and scientific equip.	5,977,938	6,525,333	1,265,975	4,234,633	85,000
74	75	Chinese Petroleum[5]	Taiwan	Petroleum	5,957,679[12]	3,636,416[12]	62,379[12]	1,370,166[12]	20,006[12]
75	70	Imperial Group[17]	Britain	Tobacco; food; beverages	5,914,872*	3,509,915	119,069	1,482,200	122,400
76	122	Nippon Mining[9]	Japan	Petroleum; metal refining—nonferrous	5,914,490	4,370,170	37,076	356,299	8,240
77	63	Akzo Group	Netherlands	Chemicals	5,826,035	4,153,218	96,070	997,429	77,800
78	59	BL[8]	Britain	Motor vehicles	5,814,252	4,278,302	(1,007,315)	1,274,050	117,043
79	53	ESTEL	Netherlands	Metal manufacturing—steel	5,775,807	4,134,562	(280,763)	559,834	72,000
80	61	Robert Bosch	Germany	Motor-vehicle parts; electronics, appliances	5,751,321	4,120,152	110,478	1,200,840	112,796
81	114	Barlow Rand[10]	South Africa	Mining—coal, gold, chrome; indus. equipment	5,584,428	3,672,477	307,108	1,061,627	116,398
82	84	Kawasaki Steel[9]	Japan	Metal manufacturing—steel	5,559,880[12]	8,129,376[12]	263,524[12]	1,244,027[12]	29,563[12]
83	106	Daigety[7]	Britain	Food products	5,477,481	1,499,031	45,321	478,254	24,212
84	105	Mitsubishi Oil[9]	Japan	Petroleum	5,454,173	4,168,417	33,703	139,256	2,920
85	95	Toyo Kogyo[17]	Japan	Motor vehicles	5,429,881	3,355,733	94,513	636,086	28,546
86	124	Daikyo Oil[5]	Japan	Petroleum	5,336,967*	2,669,139	19,609*	118,330	1,963
87	107	Broken Hill Proprietary[18]	Australia	Metal refining—steel	5,322,036	6,911,844	310,215	4,299,359	74,000
88	76	ENPETROL[5]	Spain	Petroleum; chemicals	5,317,401[6]	3,218,694[6]	22,690[6]	630,287[6]	6,067[6]
89	74	Electrolux	Sweden	Electronics, appliances	5,283,097	3,964,859	190,903	690,166	101,700
90	99	Kobe Steel[9]	Japan	Metal refining—steel	5,267,185[12]	6,528,906[12]	120,964[12]	763,684[12]	30,443[12]
91	101	Lucky Group	South Korea	Petroleum; electronics, appliances	5,256,989	3,116,267	45,212	440,066	45,764
92	132	Thorn EMI[9]	Britain	Electronics, appliances	5,214,200	3,520,876	156,297	1,287,036	106,597
93	125	Samsung Group	South Korea	Electronics, appliances; food prod.; textiles	5,100,552	3,759,320	18,672	678,200	82,840
94	64	Brown Boveri	Switzerland	Electrical & indus. equip., electronics	5,057,367[6]	N.A.	N.A.	N.A.	105,400[6]
95	77	Alcan Aluminium	Canada	Metal refining—aluminum	4,978,000	6,339,000	264,000	2,631,000	66,100
96	82	Metallgesellschaft[10]	Germany	Metal manufacturing—nonferrous	4,858,036	2,047,976	14,342	280,602	26,829
97	127	Nippon Electric[9]	Japan	Electronics, appliances	4,853,583	5,458,004	102,310	824,860	64,147
98	108	Mitsubishi Chemical Industries	Japan	Chemicals	4,819,193	4,989,658	27,591	518,567	13,978
99	90	YPF (Yacimientos Petroliferos)[5]	Argentina	Petroleum	4,815,778	5,468,693	(3,820,963)	540,300	32,265
100	97	Türkiye Petrolleri[5]	Turkey	Petroleum	4,759,508	3,519,501	207,936	469,346	10,397

*Not on last year's list
N.A. Not available
[5]Fortune estimate
[12]Parent only
[13]Revenues include certain sales to foreign affiliates of the U.S. parent company
[14]Name changed from Saint-Gobain-Pont-a-Mousson on June 15, 1981.
[15]Figures are for fiscal year ending February 28, 1981.
[16]Includes only wholly owned subsidiaries.
[17]Figures are for fiscal year ending October 31, 1981.
[18]Figures are for fiscal year ending May 31, 1981.

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
01	126	**Sony**[16,17]	Japan	Electronics, appliances	4,748,214	4,946,948	282,842	1,821,932	38,555
02	89	**Ford-Werke**	Germany	Motor vehicles and parts	4,682,872	2,004,866	63,761	472,076	49,403
03	87	**Degussa**[18]	Germany	Metal products; chemicals	4,638,735	1,453,723	29,522	270,037	21,077
04	79	**Usinor**[5]	France	Metal refining—steel	4,631,680[5]	7,317,440[5]	(777,271)[5]	773,567[5]	58,106[5]
05	81	**Adam Opel**	Germany	Motor vehicles and parts	4,482,654[12,13]	2,780,909[12]	(263,282)[12]	772,468[12]	60,612[12]
06	116	**Sanyo Electric**[19]	Japan	Electronics, appliances	4,468,312	4,140,385	145,149	1,316,445	21,895
07	48	**Pirelli**[20]	Italy	Rubber products	4,450,000	N.A.	N.A.	N.A.	77,000
08	113	**Allied-Lyons**[10,21]	Britain	Beverages; food products	4,444,359	3,856,780	121,550	1,954,066	83,971
09	103	**Taiyo Fishery**[22]	Japan	Food products	4,444,224	2,122,877	9,029	99,278	10,496
10	•	**Texaco**	Britain	Petroleum	4,383,196[12]	1,899,357	106,681	876,802	5,170
11	123	**Showa Oil**	Japan	Petroleum	4,380,792	2,945,998	(96,110)	42,533	2,048
12	85	**Charbonnages de France**	France	Chemicals; mining—coal	4,289,506[5]	4,854,101[5]	(49,318)[5]	582,264[5]	74,000[5]
13	129	**ÖMV**[5]	Austria	Petroleum	4,271,013	2,323,863	8,248	813,852	9,185
14	91	**Solvay**	Belgium	Chemicals, plastics	4,256,637[5]	3,528,572[5]	(17,711)[5]	1,220,753[5]	48,237[5]
15	88	**Salzgitter**[5,10]	Germany	Metal refining—steel; shipbuilding	4,250,519	4,052,373	(175,708)	290,331	56,944
16	115	**Mobil Oil**[18]	Germany	Petroleum	4,218,009[12]	1,650,357	99,924	444,149	2,115
17	98	**VÖEST-Alpine**[5]	Austria	Metal refining—steel; industrial equip.	4,209,068	5,610,965	(9,356)	407,051	75,863
18	121	**Thomas Tilling**	Britain	Industrial equip.; building materials	4,155,122	2,360,238	85,125	990,055	44,200
19	111	**Esso Italiana**	Italy	Petroleum	4,086,132[12,13]	817,788[12]	35,415[12]	75,216[12]	3,397[12]
20	119	**Courtaulds**[9]	Britain	Textiles	4,000,790	2,463,341	(266,969)	729,358	88,000
21	120	**Deutsche Texaco**	Germany	Petroleum	3,942,401[12]	1,442,442	66,701	309,503	4,843
22	135	**Cockerill Sambre**[5,23]	Belgium	Metal refining—steel	3,925,250[5]	4,233,404[5]	(464,989)[5]	622,135[5]	42,537[5]
23	130	**Ishikawajima-Harima Heavy Ind.**[9]	Japan	Industrial equipment; shipbuilding	3,872,147	7,881,187	34,082	500,699	42,000
24	155	**ASEA**[24]	Sweden	Electronics, appliances; indus. equip.	3,847,056	4,455,025	40,525	506,559	56,107
25	128	**CEPSA (Española de Petróleos)**	Spain	Petroleum	3,842,033[12]	1,438,120[12]	25,183[12]	183,325[12]	4,566[12]
26	93	**Flick Group**	Germany	Paper and wood products; chemicals	3,832,797	3,509,090	61,348	795,152	45,690
27	136	**Gulf Canada**	Canada	Petroleum	3,823,093	3,766,345	249,423	1,791,290	11,367
28	131	**Neste**[5]	Finland	Petroleum	3,785,781[12]	2,371,655[12]	14,258[12]	132,042[12]	5,135[12]
29	139	**Korea Oil**[25]	South Korea	Petroleum	3,762,201	1,286,187	(16,084)	170,463	2,063
30	100	**Guest, Keen & Nettlefolds**	Britain	Motor-vehicle parts	3,760,303	3,067,830	(49,251)	1,244,367	78,483
31	148	**Asahi Chemical Industry**[9]	Japan	Chemicals; textiles	3,690,812	3,509,887	81,307	803,197	20,994
32	154	**Texaco Canada**	Canada	Petroleum	3,649,858	2,426,935	263,859	1,246,203	4,522
33	118	**BMW (Bayerische Motoren Werke)**	Germany	Motor vehicles and parts	3,585,053	2,202,788	64,096	541,496	39,777
34	102	**BSN-Gervais Danone**	France	Food products; beverages	3,563,515[5]	2,443,603[5]	109,185[5]	635,351[5]	41,751[5]
35	104	**Italsider**[5]	Italy	Metal manufacturing—steel	3,560,534[12]	7,711,704[12]	(1,510,775)[12]	1,528,968[12]	48,360[12]
36	109	**ALUSUISSE (Swiss Aluminum)**	Switzerland	Metal refining—aluminum	3,519,768	5,034,079	(26,725)	1,601,386	41,243
37	175	**Kawasaki Heavy Industries**[9]	Japan	Indus. equip.; shipbuilding, trans. equip.	3,507,887	4,903,558	13,569	477,082	29,049
38	112	**IBM Deutschland**	Germany	Office equipment (includes computers)	3,506,962[13]	2,452,670[26]	239,884	625,562	27,263
39	110	**Bowater**	Britain	Paper and wood products	3,502,293	2,136,949	94,043	759,489	34,900
40	142	**Reed International**[9]	Britain	Publishing, printing; paper, pulp	3,463,108	2,226,919	53,581	1,112,455	58,200
41	143	**Ranks Hovis McDougall**[26]	Britain	Food products	3,462,960	1,293,421	70,899	587,476	50,412
42	134	**Roche/Sapac**	Switzerland	Pharmaceuticals; chemicals	3,461,821	5,572,890	129,334	3,837,891	44,033
43	152	**Isuzu Motors**[17]	Japan	Motor vehicles and parts	3,404,311	2,987,253	36,166	392,667	20,902
44	190	**CSR**[9]	Australia	Sugar; mining; bldg. materials; chemicals	3,391,583	2,681,642	147,351	1,245,040	14,100
45	140	**British Aerospace**	Britain	Aerospace	3,368,081	3,064,575	126,920	1,378,417	79,180
46	165	**Norsk Hydro**[5,7]	Norway	Petroleum; chemicals	3,360,390	2,910,731	71,698	614,072	15,174
47	117	**Sacilor**	France	Metal refining—steel	3,327,173[5]	5,073,568[5]	(531,887)[5]	204,305[5]	38,547[5]
48	151	**Bridgestone Tire**	Japan	Rubber products	3,296,006	2,763,097	71,103	987,805	33,498
49	159	**Snow Brand Milk Products**[9]	Japan	Food products	3,280,975	1,437,087	9,484	205,092	16,762
50	171	**BOC Group**[10,27]	Britain	Chemicals—gas; indus. equip.	3,277,564	3,248,465	96,006	1,414,634	42,100

[5]Figures are for fiscal year ending November 30, 1981.

[7]Figures reflect the dissolution of Dunlop Pirelli Union (1980 rank, 48) on October 15, 1981.

[9]Name changed from Allied Breweries on October 30, 1981.

[10]Figures are for fiscal year ending January 31, 1981.

[12]Figures include Hainaut-Sambre (1980 rank, 337), acquired June 26, 1981.

[13]Figures include Svenska Fläktfabriken (1980 rank, 424), acquired October 2, 1981.

[17]Figures are not consolidated with those of Sunkyung (1981 rank, 251), which acquired Korea Oil on November 28, 1980.

[18]Figures are for fiscal year ending August 31, 1981.

[27]Name changed from BOC International on February 17, 1982.

THE 500 LARGEST INDUSTRIALS OUTSIDE THE U.S.

RANK '81	'80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYE
151	153	**BICC**	Britain	Industrial equipment	3,251,579	1,686,349	71,748	538,690	52,00
152	133	**Esso**	Belgium	Petroleum; chemicals	3,232,047[12,13]	630,203[12]	23,334[12]	216,168[12]	1,61
153	160	**L.M. Ericsson Telephone**	Sweden	Electronics, appliances	3,216,896[6]	3,988,393[6]	85,280[6]	665,613[6]	69,86
154	141	**Saab-Scania**	Sweden	Motor vehicles and parts	3,215,648	2,643,826	79,002	435,541	40,02
155	181	**Fujitsu[9]**	Japan	Office equip. (includes computers); electronics	3,209,214	3,143,057	123,705	958,137	46,60
156	161	**Komatsu**	Japan	Industrial equipment	3,201,856	3,992,825	151,319	1,268,167	23,60
157	144	**IBM France**	France	Office equipment (includes computers)	3,196,009[12]	2,023,548[12]	155,764[12]	927,258[12]	20,59
158	145	**Sumitomo Chemical**	Japan	Chemicals	3,160,421	3,005,084	10,679	481,140	11,53
159	172	**Unigate[9]**	Britain	Food products	3,153,322	1,346,198	103,652	673,545	37,30
160	138	**Statsföretag Group[5]**	Sweden	Paper and wood prod.; mining—iron; metal prods.	3,091,411	4,183,712	(169,011)	655,995	46,08
161	147	**Aérospatiale[5]**	France	Aerospace	3,057,200[12]	4,857,972[12]	29,343[12]	255,386[12]	35,39
162	179	**Toray Industries[9]**	Japan	Chemicals	3,030,364	3,241,426	119,099	850,842	33,10
163	48	**Dunlop Holdings[20]**	Britain	Rubber products	2,951,006	2,081,605	(83,098)	513,220	75,00
164	158	**Sandoz**	Switzerland	Pharmaceuticals; dyes	2,946,426	3,388,678	115,997	1,911,619	36,35
165	157	**Rolls-Royce[5]**	Britain	Aerospace	2,924,658	2,619,720	(6,080)	1,108,785	56,00
166	162	**Burmah Oil**	Britain	Petroleum	2,853,518	1,997,345	(25,132)	670,825	26,90
167	236	**Xoa Oil[9]**	Japan	Petroleum	2,848,031[12]	2,026,293[12]	55,706[12]	182,296[12]	1,37
168	193	**Philippine National Oil[5]**	Philippines	Petroleum	2,840,889	2,084,282	45,258	373,402	5,28
169	166	**Hawker Siddeley Group**	Britain	Industrial equipment; electronics	2,827,372	2,352,386	208,151	1,106,679	52,70
170	205	**Ube Industries[9]**	Japan	Chemicals; cement	2,822,330	3,350,023	4,070	254,436	14,81
171	212	**Ultramar**	Britain	Petroleum	2,822,305	1,784,208	183,830	600,927	4,50
172	185	**Iscor[5,7,28]**	South Africa	Metal refining—steel	2,806,613[12]	3,888,797[12]	92,116[12]	1,978,472[12]	62,65
173	214	**Sharp[9]**	Japan	Electronics, appliances	2,806,225	2,829,812	111,430	777,867	20,69
174	178	**Bertelsmann[7]**	Germany	Publishing; printing	2,803,605[6]	1,300,538[6]	10,258[6]	197,210[6]	30,11
175	197	**Koor Industries**	Israel	Metal prods.; electronics; chemicals; food	2,800,000	2,600,000	80,000	426,000	29,60
176	208	**Beecham Group[9]**	Britain	Pharmaceuticals; soaps, cosmetics; bev.	2,795,335	2,323,140	206,369	1,245,735	33,90
177	233	**Bass[19]**	Britain	Beverages	2,751,251	2,902,109	211,171	1,843,568	77,42
178	170	**Zambia Industrial & Mining[5,9]**	Zambia	Mining—copper; food products	2,749,349	5,235,158	25,078	1,164,289	125,04
179	156	**SKF**	Sweden	Metal products	2,695,681	2,909,118	112,635	770,495	50,45
180	207	**Nippondenso**	Japan	Motor-vehicle parts	2,690,856	2,209,216	118,710	1,162,056	31,74
181	163	**Rank Xerox[17]**	Britain	Office equipment	2,669,092	2,420,786	256,344	1,291,669	33,78
182	176	**Lucas Industries[29]**	Britain	Motor-vehicle parts	2,665,772	1,724,908	(77,915)	844,634	72,73
183	191	**Kubota[30]**	Japan	Industrial and farm equipment	2,660,511	2,760,920	72,470	1,126,873	19,00
184	146	**Massey-Ferguson[17]**	Canada	Farm and industrial equipment	2,646,300	2,503,400	(194,800)	569,700	39,78
185	217	**Lafarge Coppée**	France	Building materials	2,618,208[6]	3,137,714[6]	67,624[6]	514,249[6]	29,47
186	149	**Saarbergwerke[5]**	Germany	Petroleum; mining—coal	2,601,152	N.A.	N.A.	N.A.	33,39
187	216	**PETROGAL (Petróleos de Portugal)[5]**	Portugal	Petroleum	2,595,791[12]	2,570,410[12]	(22,912)[12]	189,336[12]	6,80
188	221	**Sumitomo Electric Industries[9]**	Japan	Metal products	2,585,906	2,171,515	39,464	423,813	18,97
189	184	**Cadbury Schweppes**	Britain	Food products; beverages	2,576,080[5]	1,649,773	69,519	735,743	36,46
190	231	**Canada Development Corp.**	Canada	Chemicals	2,574,853	5,979,252	70,992	1,070,656	20,00
191	187	**Olivetti**	Italy	Office equipment (includes computers)	2,569,919	N.A.	N.A.	N.A.	53,47
192	168	**Vallourec**	France	Metal products—steel tubes; building materials	2,568,300[5]	2,331,303[5]	23,611[5]	336,517[5]	30,00
193	229	**Grupo Industrial Alfa**	Mexico	Metal refining—steel; chemicals	2,556,065	4,581,710	(239,029)	1,179,061	41,29
194	182	**Esso Nederland**	Netherlands	Petroleum	2,532,478	1,005,126	1,006	414,499	1,76
195	195	**Metal Box[9]**	Britain	Metal products	2,517,921	1,746,907	(35,726)	637,720	55,30
196	192	**Noranda Mines**	Canada	Mining; metal refining	2,497,857	4,424,397	137,480	2,418,800	31,70
197	275	**Ssangyong Cement Industrial**	South Korea	Petroleum; building materials	2,494,093	2,090,158	N.A.	211,453	12,01
198	234	**Haci Ömer Sabanci Holding**	Turkey	Textiles; rubber products	2,480,828[6]	2,503,503[6]	28,189[6]	58,230[6]	26,18
199	232	**Dai Nippon Printing[16]**	Japan	Publishing; printing	2,460,857	1,749,384	107,279	954,890	12,80
200	218	**Koç Holding**	Turkey	Motor vehicles and parts; appliances	2,448,737[6]	1,279,127[6]	32,010[6]	137,853[6]	27,04

●Not on last year's list
N.A. Not available
*Fortune estimate

[12]Name changed from South African Iron & Steel on September 1, 1981
[29]Figures are for fiscal year ending July 31, 1981
[30]Figures are for fiscal year ending April 15, 1981

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
201	174	**VIAG**[5]	Germany	Metal refining—aluminum	2,429,762[6]	2,801,782[6]	4,210[6]	851,449[6]	26,300[6]
202	199	**Canada Packers**[5]	Canada	Food products	2,415,928	440,319	22,166	210,551	16,000
203	213	**Furukawa Electric**[9]	Japan	Metal refining—copper	2,394,472	2,393,342	24,417	258,457	13,472
204	225	**Conoco**	Britain	Petroleum	2,393,902[13]	1,328,819	208,354	579,096	2,319
205	220	**International Thomson Organisation**	Canada	Petroleum; publishing, printing	2,393,031	1,391,439	88,165	323,444	22,500
206	266	**Statoil**[5]	Norway	Petroleum	2,390,481	2,754,198	178,050	578,663	2,645
207	200	**Asahi Glass**	Japan	Building materials; chemicals	2,390,083	2,732,835	107,830	1,005,395	16,719
208	264	**Suzuki Motor**[9]	Japan	Motor vehicles	2,368,291	1,411,810	48,581	251,485	14,226
209	177	**Chemische Werke Hüls**	Germany	Chemicals	2,356,559[12]	1,363,049[12]	274[12]	422,027[12]	17,747[12]
210	239	**Fuji Photo Film**[21]	Japan	Chemicals	2,335,972	2,205,913	226,532	1,108,682	15,329
211	206	**Steel Authority of India**[5,9]	India	Metal refining—steel	2,335,568	6,367,036	122	3,471,370	197,154
212	256	**Yamaha Motor**[22]	Japan	Motor vehicles and parts	2,333,829	1,584,159	46,566	274,980	14,802
213	227	**Kanebo**[22]	Japan	Textiles; soaps, cosmetics	2,330,649	2,213,705	(27,200)	82,257	22,693
214	186	**Deutsche Babcock**[10]	Germany	Metal products; industrial equipment	2,330,389	3,427,433	15,353	329,351	30,921
215	180	**IMETAL**	France	Mining—nonferrous	2,309,803[6]	1,890,778[6]	21,475[6]	632,657[6]	22,000[6]
216	188	**Avions M. Dassault-Bréguet**	France	Aerospace	2,305,649[12]	3,868,373[12]	54,648[12]	313,121[12]	15,789[12]
217	183	**L'Air Liquide**	France	Chemicals, gases	2,303,514[6]	2,250,927[6]	120,066[6]	693,915[6]	N.A.
218	137	**Metallurgie Hoboken-Overpelt**[10]	Belgium	Metal refining—nonferrous	2,292,680[12]	953,386[12]	11,273[12]	203,919[12]	6,814[12]
219	173	**Tube Investments**	Britain	Metal prod.; metal refin.—aluminum	2,274,058	1,515,340	(76,815)	546,924	45,200
220	219	**Rothmans International**[5]	Britain	Tobacco	2,256,830	2,337,972	47,182	621,981	24,465
221	201	**Matsushita Electric Works**[22]	Japan	Electronics, appliances; building materials	2,232,435	1,564,786	70,954	724,004	14,966
222	297	**Pohang Iron & Steel**	South Korea	Metal refining—steel	2,229,589[12]	3,385,881[12]	64,946[12]	708,580[12]	14,771[12]
223	196	**Union International**	Britain	Food products	2,222,375	771,314	2,679	152,869	N.A.
224	●	**Petro-Canada**[5]	Canada	Petroleum	2,207,571	5,574,101	54,116	1,382,829	5,801
225	167	**Klöckner-Werke**[10]	Germany	Metal refining—iron, steel	2,201,960	2,041,788	(42,118)	324,315	30,376
226	164	**Tabacalera**[5]	Spain	Tobacco	2,177,370	493,711	17,781	73,996	8,696
227	198	**Consolidated Gold Fields**[7]	Britain	Building materials; mining—gold	2,162,381	2,185,146	261,628	1,323,401	102,779
228	268	**Fuji Heavy Industries**[9]	Japan	Motor vehicles	2,147,587[12]	1,359,647[12]	52,037[12]	292,766[12]	12,910[12]
229	267	**Northern Telecom**	Canada	Telecommunications equipment	2,144,598	1,810,088	113,998	719,429	35,444
230	251	**Canon**	Japan	Photographic equipment; office machines	2,138,700	2,302,446	79,216	783,760	24,300
231	246	**Oji Paper**[9]	Japan	Paper and wood products	2,133,664	2,153,829	18,272	338,162	9,045
232	222	**Mobil Oil**	Britain	Petroleum	2,132,803[13]	1,165,883	(47,747)	332,157	2,535
233	254	**MBB (Messerschmitt-Bölkow-Blohm)**	Germany	Aerospace	2,131,728[6]	N.A.	N.A.	N.A.	39,600[6]
234	249	**Johnson Matthey**[5]	Britain	Metal manufacturing; chemicals	2,109,298	3,066,345	76,904	595,115	9,169
235	263	**British Shipbuilders**[5,9]	Britain	Shipbuilding, transportation equipment	2,104,122	1,237,930	(75,460)	302,694	69,700
236	237	**Hyosung Group**	South Korea	Textiles; industrial equipment	2,100,303	1,749,191	1,230	291,655	23,740
237	272	**Toyobo**[22]	Japan	Textiles; chemicals	2,087,640	1,737,945	13,034	220,698	17,425
238	244	**Takeda Chemical**[9]	Japan	Pharmaceuticals	2,081,559	2,283,502	103,664	1,058,366	12,589
239	228	**United Biscuits (Holdings)**	Britain	Food products	2,079,689	1,174,278	103,366	571,819	40,000
240	274	**Chrysler Canada**	Canada	Motor vehicles	2,069,273	640,531	(45,693)	(44,723)	11,000
241	203	**Sulzer Brothers**	Switzerland	Industrial equipment	2,064,949	3,640,354	16,352	1,739,920	34,326
242	189	**Mitsui Toatsu Chemicals**[9]	Japan	Chemicals	2,051,072	2,048,459	(37,057)	114,400	7,546
243	194	**Oerlikon-Bührle**	Switzerland	Industrial and military equip.; leather products	2,038,992	3,909,535	16,045	1,820,680	35,209
244	243	**Nippon Suisan**[5]	Japan	Food products	2,034,375	1,023,123	14,900	186,835	6,467
245	210	**IBM United Kingdom Holdings**	Britain	Office equipment (including computers)	2,030,844[13]	N.A.	166,197	N.A.	15,000
246	248	**Kirin Brewery**[11]	Japan	Beverages	2,013,860	2,211,619	84,572	744,720	15,253
247	279	**Teijin**[9]	Japan	Chemicals	2,007,261	2,328,352	31,143	480,682	10,712
248	241	**Hiram Walker Resources**[10]	Canada	Beverages	2,005,136	4,075,104	208,938	1,509,465	11,430
249	259	**Toyo Seikan**[5]	Japan	Metal products	2,002,913	1,498,686	17,316	411,501	11,652
250	286	**Plessey**[5]	Britain	Electronics, appliances	1,975,944	1,437,076	122,555	664,897	47,339

[5]Figures are for fiscal year ending October 20, 1981.

[9]Figures are for fiscal year ending April 30, 1981.

[13]Figures do not include those for Korea Oil (1981 rank: 129), acquired on November 28, 1980.

THE 500 LARGEST INDUSTRIALS OUTSIDE THE U.S.

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
251	322	**Sunkyong**[33]	South Korea	Chemicals; textiles	1,941,223	1,145,890	7,982	139,721	15,728
252	281	**Ajinomoto**[9]	Japan	Food products	1,940,543	1,607,505	64,264	598,686	9,718
253	230	**Babcock International**	Britain	Industrial equipment	1,937,212	1,118,243	10,154	354,759	33,998
254	255	**Toppan Printing**[10]	Japan	Publishing, printing	1,932,979[12]	1,125,095[12]	63,496[12]	515,680[12]	8,200[12]
255	211	**Showa Denko**	Japan	Chemicals	1,908,488	2,384,669	(5,474)	234,994	5,953
256	257	**Moore**	Canada	Paper products; printing	1,879,063	1,088,314	115,402	685,461	27,703
257	247	**Mobil Oil Française**	France	Petroleum	1,877,297[12]	1,178,098[12]	(76)[12]	550,592[12]	2,436[12]
258	307	**Brooke Bond Group**[7,34]	Britain	Food products; beverages	1,876,405	1,106,185	45,505	526,944	70,000
259	324	**Mitsui Mining**[9]	Japan	Mining—coal	1,874,335	1,192,459	7,674	48,298	1,984
260	441	**Dome Petroleum**	Canada	Petroleum	1,867,585	8,605,526	166,087	1,137,659	9,500
261	150	**Inco**	Canada	Mining—nickel; metal products	1,855,923	3,774,008	(469,518)	1,632,945	31,768
262	303	**Nissan Shatai**[9]	Japan	Motor vehicles	1,854,433[12]	631,864[12]	19,378[12]	181,694[12]	6,877[12]
263	•	**Chevron Oil Italiana**	Italy	Petroleum	1,849,011[13]	304,184	(3,159)	21,519	898
264	224	**MacMillan Bloedel**	Canada	Paper; wood prod.; bldg. materials	1,843,285	1,831,025	2,759	812,989	22,049
265	300	**Hanson Trust**[10]	Britain	Food products	1,842,419	1,065,573	73,835	297,675	39,000
266	336	**Pilkington Brothers**[9]	Britain	Glass	1,840,939	3,130,635	84,934	1,643,343	40,300
267	450	**Empresa Colombiana de Petróleos**[5]	Colombia	Petroleum	1,840,182	1,266,156	9,764	N.A.	10,051
268	215	**Henkel**	Germany	Chemicals	1,839,743	1,271,151	37,726	510,398	17,736
269	321	**Nippon Light Metal**[9]	Japan	Metal refining—aluminum; metal prod.	1,837,161	2,101,851	28,556	118,714	10,788
270	209	**KHD (Klöckner-Humboldt-Deutz)**	Germany	Industrial and farm equipment	1,833,655	1,489,639	16,898	314,254	25,496
271	260	**Mitsubishi Petrochemical**	Japan	Chemicals	1,822,521	1,999,334	(10,847)	175	3,782
272	314	**Fuji Electric**[9]	Japan	Electronics; appliances	1,821,158	1,823,458	23,548	206,100	16,970
273	240	**Unión Explosivos Río Tinto**	Spain	Petroleum; chemicals	1,820,179	1,901,334	1,237	554,609	9,765
274	250	**PETRONOR**	Spain	Petroleum	1,814,252	727,856	17,265	135,960	580
275	277	**Mitsubishi Metal**[9]	Japan	Metal refining—copper	1,813,360	1,696,713	9,637	122,191	5,000
276	245	**Stelco**	Canada	Metal refining—steel	1,813,341	2,452,678	69,106	1,303,826	26,263
277	202	**Alfa Romeo**[5]	Italy	Motor vehicles and parts	1,810,527	2,132,004	(103,685)	715,512	45,286
278	293	**Hino Motors**[9]	Japan	Motor vehicles	1,799,002[12]	1,076,885[12]	21,254[12]	259,941[12]	8,296[12]
279	226	**L'Oreal**	France	Soaps, cosmetics	1,792,578[6]	1,293,376[6]	95,646[6]	475,758[6]	23,727[6]
280	235	**Genstar**	Canada	Building materials	1,790,107	2,409,849	91,370	815,805	20,225
281	296	**Seagram**[29]	Canada	Beverages	1,789,735	5,980,539	1,559,613	2,797,706	16,000
282	238	**Preussag**	Germany	Metal refin.—nonfer.; mining—coal	1,788,824[6]	1,323,262[6]	40,896[6]	230,274[6]	16,990[6]
283	291	**Dainippon Ink & Chemicals**[9]	Japan	Chemicals	1,783,218	1,660,864	14,544	279,155	9,331
284	373	**Hitachi Zosen**[9,35]	Japan	Shipbuilding; industrial equipment	1,777,199	3,447,863	16,715	286,922	21,076
285	242	**Sandvik Group**	Sweden	Metal refin.—steel; cemented carbide	1,761,628[6]	2,177,239[6]	10,926[6]	328,234[6]	32,820[6]
286	299	**Unitika**[9]	Japan	Textiles	1,751,987	1,886,920	(4,486)	118,652	8,437
287	311	**Daido Steel**[7]	Japan	Metal refining—steel	1,750,156	1,356,019	35,966	187,819	10,342
288	284	**Formosa Plastics Group**	Taiwan	Chemicals	1,747,691	1,810,498	N.A.	661,493	33,583
289	204	**CODELCO-CHILE**[5]	Chile	Mining—copper	1,741,150	2,517,067	97,255	1,403,244	29,308
290	331	**Daihatsu Motor**[7]	Japan	Motor vehicles and parts	1,739,578[12]	857,169[12]	24,335[12]	279,715[12]	9,955[12]
291	223	**Gallaher**[36]	Britain	Tobacco	1,739,124	1,423,241	141,452	560,521	28,263
292	309	**Jujo Paper**[9]	Japan	Paper and wood products	1,730,855	1,776,186	18,471	176,637	7,370
293	273	**Union Laitière Normande**	France	Food products	1,717,825[6]	549,243[6]	2,638[6]	45,567[6]	5,500[6]
294	285	**Vale do Rio Doce**[5]	Brazil	Mining—iron	1,710,536	2,896,871	251,537	1,426,537	28,647
295	298	**Nisshin Steel**[9]	Japan	Metal refining—steel; metal prod.	1,710,384	2,076,716	48,510	379,904	10,529
296	262	**Schering**	Germany	Pharmaceuticals; chemicals	1,700,238	1,523,170	44,242	427,068	21,763
297	305	**Distillers**[9]	Britain	Beverages	1,697,276	2,759,370	288,495	2,080,020	21,000
298	252	**Standard Elektrik Lorenz**	Germany	Electronics; appliances	1,696,903[12]	944,210	11,387	273,410	33,012
299	295	**AECI**	South Africa	Chemicals	1,684,761	1,227,678	181,568	610,865	28,900
300	278	**Reckitt & Colman**	Britain	Food prod.; bev.; household cleaners	1,676,520	893,845	78,457	405,271	37,000

N.A. Not available

•Not on last year's list

[9]Name changed from Brooke Bond Liebig on January 18, 1982

[35]Name changed from Hitachi Shipbuilding & Engineering on July 1, 1982

[36]Name changed from Gallaher Group on January 2, 1981

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
321	327	**Nippon Gakki**[32]	Japan	Musical instruments, sporting goods	1,667,016	1,216,788	48,089	443,476	18,980
322	310	**Arla**[7,37]	Sweden	Food products	1,651,806	448,690	6,192	83,740	8,367
323	•	**Fletcher Challenge**[7]	New Zealand	Bldg. materials; paper and wood prod.	1,641,212	1,115,273	76,041	438,339	19,002
324	334	**Glaxo Holdings**[7]	Britain	Pharmaceuticals	1,626,285	1,324,407	138,638	737,341	28,218
325	338	**KUKJE**	South Korea	Rubber products; metal refining-steel	1,623,271	1,242,097	5,946	91,757	43,600
326	292	**Coats Patons**	Britain	Textiles	1,622,243	1,230,579	71,748	622,950	49,000
327	340	**Honshu Paper**[9]	Japan	Paper and wood products	1,619,045	1,940,747	2,249	101,630	6,701
328	349	**Sasol**[7]	South Africa	Chemicals; mining—coal	1,615,446	1,414,102	213,795	856,653	14,810
329	378	**Valores Industriales**	Mexico	Beverages; food products; packaging	1,613,485	1,987,227	84,968	802,501	54,490
330	347	**Northern Foods**[10]	Britain	Food products	1,600,024	621,532	54,816	340,233	18,983
331	375	**Korea Explosives Group**	South Korea	Petroleum; chemicals	1,589,864	1,367,836	11,701	184,944	14,411
332	437	**Chiyoda Chemical Eng. & Const.**[10]	Japan	Industrial equipment	1,588,425	1,364,962	15,061	183,885	3,764
333	270	**Empresa Nacional del Petroleo**[5]	Chile	Petroleum	1,581,708	1,633,597	61,366	1,022,044	3,776
334	265	**Entreprise Minière et Chimique**[5]	France	Mining—potash; chemicals	1,577,437[6]	1,146,481[6]	(51,936)[6]	271,120[6]	12,309[6]
335	275	**RMC Group**[38]	Britain	Building materials	1,576,439	882,438	43,904	303,169	15,120
336	330	**Sekisui Chemical**[9]	Japan	Chemicals; building materials	1,550,089	1,509,859	12,590	208,267	6,200
337	261	**Vauxhall Motors**	Britain	Motor vehicles	1,543,905	535,409	(116,332)	82,199	23,770
338	287	**ICL**[10]	Britain	Office equipment (includes computers)	1,530,721	914,482	(286,512)	129,095	25,564
339	356	**Nisshin Flour Milling**[9]	Japan	Food products	1,524,401	619,285	26,371	210,542	3,665
340	313	**Blue Circle Industries**	Britain	Building materials	1,520,498	2,359,280	95,056	1,603,430	N.A.
341	308	**Holderbank Financiere Glaris**	Switzerland	Building materials	1,501,484[6]	3,066,614[6]	110,783[6]	822,815[6]	20,532[6]
342	442	**Onoda Cement**[9]	Japan	Building materials	1,496,552	1,872,309	16,932	193,452	6,500
343	280	**Oljekonsumenternas Förbund**	Sweden	Petroleum	1,495,298	917,963	21,712	79,199	5,794
344	332	**Shiseido**[19]	Japan	Soaps; cosmetics	1,493,291	1,232,530	52,704	661,566	19,381
345	316	**Atlas Copco**	Sweden	Industrial equipment	1,487,571[6]	1,289,203[6]	50,954[6]	331,641[6]	19,538[6]
346	294	**Svenska Cellulosa**	Sweden	Paper and wood products	1,485,564	1,730,862	45,590	313,936	16,015
347	354	**Whitbread**[15]	Britain	Beverages	1,477,136	2,377,318	140,248	1,697,860	40,217
348	348	**Dofasco**	Canada	Metal refining—steel	1,474,438	1,729,378	141,207	907,631	13,700
349	328	**Domtar**	Canada	Paper and wood prod.; bldg. materials	1,472,132	1,097,462	53,018	533,928	17,409
350	384	**Abitibi-Price**	Canada	Paper and wood products	1,470,998	1,379,555	99,803	618,665	18,000
351	283	**Béghin-Say**	France	Food products; paper products	1,470,186[12]	1,671,203[12]	12,313[12]	348,548[12]	8,391[12]
352	306	**Grundig**[9,16]	Germany	Electronics; appliances	1,467,015	1,618,103	(82,549)	201,178	30,767
353	326	**Northern Engineering Industries**	Britain	Industrial equipment; electronics	1,461,316	1,141,817	39,415	356,269	34,868
354	302	**Alfa-Laval**	Sweden	Industrial and farm equipment	1,458,747	1,469,258	20,958	261,221	18,525
355	364	**Pioneer Electronic**[10,18]	Japan	Electronics; appliances	1,456,972	1,115,970	66,075	635,144	10,865
356	282	**Hachette**	France	Publishing; printing	1,455,051[6]	706,871[6]	1,873[6]	156,301[6]	12,800[6]
357	269	**SSAB (Svenskt Stål)**[5]	Sweden	Metal refining—steel	1,443,510	1,646,800	(143,227)	604,957	16,927
358	362	**Daishowa Paper**[9]	Japan	Paper and wood products	1,436,252	2,718,601	4,056	111,751	5,371
359	169	**De Beers Consolidated Mines**	South Africa	Mining—diamonds	1,434,402	4,778,187	721,565	3,720,808	19,623
360	271	**Continental Gummi-Werke**	Germany	Rubber products	1,434,037	889,036	(7,781)	178,251	28,640
361	351	**Meiji Milk Products**[9]	Japan	Food products	1,428,721	594,140	7,267	117,541	6,393
362	323	**Mobil Oil Italiana**	Italy	Petroleum	1,428,215	637,325	(4,799)	29,400	1,706
363	335	**S. Pearson & Son**	Britain	Publishing; ceramics	1,423,204	1,225,167	74,707	516,242	34,223
364	333	**Mitsui Petrochemical**[9]	Japan	Chemicals	1,420,377	1,561,255	10,219	183,505	5,334
365	361	**Canadian General Electric**	Canada	Electronics; appliances	1,418,208[13]	875,241	42,644	367,187	19,987
366	454	**Fuji Kosan**[9]	Japan	Petroleum	1,417,589[12]	1,047,097[12]	872[12]	43,757[12]	950[12]
367	406	**Sumitomo Heavy Industries**[9]	Japan	Industrial equip.; shipbuilding	1,417,578	2,150,565	12,608	113,435	9,744
368	444	**Ford Motor**	Mexico	Motor vehicles and parts	1,411,882[13]	717,559	42,928	213,569	8,931
369	320	**SWEDYARDS (Svenska Varv)**[5]	Sweden	Shipbuilding; transportation equipment	1,411,170	3,496,224	(56,913)	212,879	24,453
370	388	**Ricoh**[9]	Japan	Office equipment (includes computers)	1,402,831	1,188,237	75,135	469,713	16,700

Name changed from Mjölkcentralen Arla on June 30, 1981.

Name changed from Ready Mixed Concrete on December 31, 1981.

THE 500 LARGEST INDUSTRIALS OUTSIDE THE U.S.

RANK '81	'80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOY
351	346	**Arthur Guinness[10]**	Britain	Beverages	1,402,641	1,134,628	14,422	437,228	21,86
352	358	**Sumitomo Metal Mining[9]**	Japan	Metal refining—nonferrous	1,399,546	1,236,162	13,403	147,954	4,63
353	339	**Mitsui Mining & Smelting[9]**	Japan	Metal refin.-nonfer.; fab. metal prod.	1,398,698	1,393,825	(1,824)	112,679	8,42
354	318	**Rowntree Mackintosh**	Britain	Food products	1,394,432	926,286	58,980	612,800	28,00
355	304	**Swedish Match**	Sweden	Paper, pulp, wood prod.; bldg. materials	1,393,927	1,037,344	6,754	205,283	22,75
356	427	**John Brown[9]**	Britain	Industrial equipment	1,362,618	842,592	45,642	240,137	N A
357	•	**CII-Honeywell Bull**	France	Office equipment (includes computers)	1,359,630	1,492,479	(83,132)	229,421	21,19
358	393	**General Motors-Holden's**	Australia	Motor vehicles and parts	1,354,633	874,200	7,013	N A	19,20
359	385	**Nippon Meat Packers[29]**	Japan	Food products	1,353,627	557,748	20,467	260,100	8,43
360	474	**Federale Volksbeleggings Beperk[9]**	South Africa	Food products; chemicals	1,339,609	895,893	49,775	223,275	28,34
361	343	**Chevron Oil Belgium**	Belgium	Petroleum	1,323,902[13]	403,374	(23,114)	246,262	74
362	253	**Snia Viscosa**	Italy	Chemicals; textiles	1,323,770	1,657,938	1,215	115,060	21,71
363	433	**Chrysler de Mexico**	Mexico	Motor vehicles and parts	1,322,998	494,472	21,213	152,132	9,81
364	376	**Nokia**	Finland	Metal prod.; rubber and paper prod.; elect.	1,318,069	1,297,855	13,114	207,467	23,40
365	415	**Kuraray[9]**	Japan	Chemicals	1,312,722	1,378,913	9,305	84,326	8,50
366	396	**Meiji Seika[9]**	Japan	Food prod.; beverages; pharmaceuticals	1,312,080	757,055	12,289	250,222	5,75
367	312	**Jacobs**	Switzerland	Food products	1,310,813	469,448	35,875	158,972	3,80
368	290	**Valeo**	France	Motor-vehicle parts	1,304,784[6]	1,073,358[6]	(26,241)[6]	206,889[6]	27,00
369	374	**Rijn-Schelde-Verolme**	Netherlands	Shipbuilding, transportation equip.	1,302,491	2,176,338	(3,392)	159,134	25,97
370	•	**Dunlop Olympic[7-30]**	Australia	Rubber products—textiles	1,294,092	739,607	40,394	337,563	17,76
371	382	**BTR**	Britain	Industrial equipment	1,292,103	1,181,007	107,529	499,024	26,00
372	422	**Thyssen-Bornemisza**	Neth.-Antilles	Metal prod.; packaging; farm equip.	1,277,802	1,156,899	109,271	443,582	17,60
373	258	**Sanyo-Kokusaku Pulp[9]**	Japan	Paper and wood products	1,273,836[12]	1,422,727[12]	4,495[12]	119,589[12]	5,08
374	288	**ENSIDESA[5]**	Spain	Metal refining—steel	1,264,056	3,196,394	(227,068)	397,441	23,90
375	315	**Turner & Newall**	Britain	Chemicals; motor-vehicle parts	1,262,082	1,279,603	(52,899)	587,331	45,00
376	401	**Husky Oil**	Canada	Petroleum	1,259,286	1,749,006	23,706	445,862	3,16
377	383	**Nichiro Gyogyo[19]**	Japan	Food products	1,254,990	777,546	13,598	46,443	4,01
378	345	**Matra**	France	Aerospace; motor-vehicle parts	1,253,120[6]	1,798,985[6]	29,549[6]	202,239[6]	31,00
379	325	**Zanussi Group**	Italy	Electronics, appliances	1,253,120[12]	1,166,829[12]	3,209[12]	124,754[12]	32,60
380	404	**Nissan Diesel Motor[9]**	Japan	Motor vehicles	1,252,019[12]	1,001,637[12]	12,959[12]	162,440[12]	6,70
381	•	**PETROPERU[5-40]**	Peru	Petroleum	1,250,549	1,424,337	1,731	301,355	8,68
382	•	**Racal Electronics[9]**	Britain	Electronics, appliances	1,248,858	1,214,170	97,396	474,167	18,00
383	428	**Amatil[17]**	Australia	Tobacco; beverages; food products	1,245,374	721,243	34,714	338,645	12,71
384	473	**Mitsui Engineering & Shipbldg.[9]**	Japan	Fab. metal prod.; shipbldg, trans. equip.	1,234,157[12]	2,033,044[12]	42,652[12]	336,246[12]	11,60
385	381	**Consolidated-Bathurst**	Canada	Paper and wood products	1,233,977	1,207,695	93,482	459,937	16,70
386	455	**TDK Electronics[19]**	Japan	Electronics, appliances	1,230,767	1,113,258	125,409	614,581	12,13
387	371	**Anomina Petroli Italiana**	Italy	Petroleum	1,225,004	235,824	(576)	44,717	1,03
388	387	**Vickers**	Britain	Indus. equip.; motor vehl.; publ. and prntg.	1,223,370	1,018,780	11,958	405,214	27,66
389	421	**Hispanoil (Hispanica de Petróleos)[5]**	Spain	Petroleum	1,221,776	377,061	3,171	29,545	25
390	412	**Yoshida Kogyo[9]**	Japan	Building materials; metal products	1,217,338	1,770,846	56,443	350,947	13,26
391	400	**Morinaga Milk Industry[9]**	Japan	Food products; beverages	1,217,081[12]	560,775[12]	2,064[12]	73,846[12]	4,69
392	353	**Ford España**	Spain	Motor vehicles and parts	1,204,375[13]	1,222,400	70,682	377,370	9,73
393	419	**Molson[9]**	Canada	Beverages; chemicals; bldg. materials	1,198,239	727,344	32,176	247,131	13,17
394	370	**SNECMA**	France	Aerospace	1,188,757	2,206,281	(24,743)	247,820	20,58
395	410	**Kao Soap[9]**	Japan	Soaps, cosmetics	1,184,245	988,726	13,601	306,026	4,12
396	403	**Tokyo Sanyo Electric[19]**	Japan	Electronics, appliances	1,182,491[12]	1,056,548[12]	29,939[12]	429,857[12]	9,43
397	443	**Konishiroku Photo Industry[41]**	Japan	Photographic equipment	1,181,230	1,109,532	34,447	324,914	8,23
398	438	**Nihon Cement[31]**	Japan	Building materials	1,181,138	1,461,098	10,170	187,584	5,91
399	366	**Rheinische Braunkohlenwerke**	Germany	Mining—coal	1,178,182[12]	2,213,481[12]	11,103[12]	329,761[12]	16,98
400	352	**Heineken**	Netherlands	Beverages	1,177,019[6]	1,365,484[6]	48,455[6]	645,299[6]	21,14

N.A. Not available

•Not on last year's list

*Fortune estimate

[19]Name changed from Dunlop Australia on December 1, 1980

[40]Name changed from Petróleos del Perú on December 24, 1981

[41]Figures are for fiscal year ending April 20, 1981

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCKHOLDERS' EQUITY ($000)	EMPLOYEES
401	•	**Motor Oil (Hellas) Corinth Refin.**	Greece	Petroleum	1,172,338	460,691	4,127	6,967	1,021
402	342	**Bosch-Siemens Hausgeräte**	Germany	Electronics, appliances	1,172,193[12]	462,563[12]	4,885[12]	138,741[12]	13,100[12]
403	391	**Petroliber[8]**	Spain	Petroleum	1,169,602	577,908	8,040	91,241	807
404	289	**SEAT[8]**	Spain	Motor vehicles and parts	1,161,643	2,108,984	(219,439)	335,958	25,775
405	397	**Yokohama Rubber**	Japan	Rubber products	1,159,135	932,873	(5,974)	94,067	11,412
406	430	**Australian Consolidated Industries[9]**	Australia	Glass, packaging & building materials	1,157,740	1,574,321	72,601	711,747	21,849
407	301	**ARBED**	Luxembourg	Metal refining—steel	1,155,460[12]	2,301,415[12]	(85,558)[12]	531,558[12]	19,070[12]
408	405	Kyowa Hakko Kogyo	Japan	Chemicals; pharmaceuticals	1,154,089	1,047,901	16,949	236,477	6,589
409	363	**Standard Telephones & Cables**	Britain	Electronics	1,150,297	761,004	73,907	355,483	25,009
410	350	**Boliden**	Sweden	Mining—nonfer., met. refin.; chemicals	1,146,886	834,211	16,826	136,011	9,609
411	329	**Norddeutsche Affinerie[10,16]**	Germany	Metal refining—nonferrous	1,146,228[12]	270,546[12]	7,259[12]	81,29[12]	3,325[12]
412	359	Koninklijke Wessanen	Netherlands	Food products	1,135,167[6]	349,761[6]	10,142[6]	124,724[6]	3,507[6]
413	344	**Thomas Borthwick & Sons[43]**	Britain	Food products	1,131,179	283,938	(4,318)	58,794	11,000
414	357	Rütgerswerke	Germany	Chemicals; building materials	1,130,306	562,148	8,803	142,774	11,371
415	462	**Toyoda Automatic Loom Works[9]**	Japan	Motor vehicles; industrial equip.	1,119,606[12]	704,172[12]	45,155[12]	372,561[12]	5,624[12]
416	365	**PWA**	Germany	Paper and wood products	1,114,331[6]	726,064[6]	(3,562)[6]	106,530[6]	10,980[6]
417	369	**Tiger Oats & National Milling**	South Africa	Food products	1,110,412[P]	N.A.	49,599[P]	N.A.	21,568
418	414	Butano[5]	Spain	Petroleum	1,108,603	489,069	10,057	181,947	3,563
419	431	**Lesieur**	France	Food products; soaps	1,105,741[6]	529,305[6]	22,723[6]	151,467[6]	6,561[6]
420	377	Linde	Germany	Industrial equipment	1,103,578[6]	1,275,488[6]	18,910[6]	236,957[6]	15,534[6]
421	436	**John Labatt[32]**	Canada	Food products; beverages	1,101,992	604,379	35,147	236,238	10,400
422	435	Wellcome Foundation[26]	Britain	Pharmaceuticals	1,101,410	1,013,274	72,870	555,714	18,501
423	456	**Mitsubishi Rayon[9]**	Japan	Textiles; chemicals	1,097,310	1,017,593	14,747	125,194	3,547
424	446	**Esselte[9]**	Sweden	Office equip.; publishing, printing	1,095,865	892,149	21,382	149,762	15,248
425	409	**Kugelfischer Georg Schäfer**	Germany	Metal products	1,092,489	1,081,892	14,360	104,154	29,826
426	379	Douwe Egberts[7]	Netherlands	Food products	1,087,969	567,749	57,322	280,546	6,643
427	439	**Ito Ham Provisions[15]**	Japan	Food products	1,086,170	556,221	26,564	275,577	5,184
428	372	DRG[43]	Britain	Paper and wood products	1,084,130	642,483	5,270	188,245	22,142
429	420	**FMC[32]**	Britain	Food products	1,079,311	146,053	(2,673)	41,395	5,700
430	319	**IMI**	Britain	Metal prod.; metal mfg.—nonferrous	1,079,201	908,712	31,016	490,535	22,840
431	341	**Stahlwerke Röchling-Burbach**	Germany	Metal refining—steel	1,075,554[12]	1,637,998[12]	38,953[12]	219,345[12]	21,261[12]
432	425	Denki Kagaku Kogyo[9]	Japan	Chemicals	1,074,959	1,226,011	3,045	176,595	3,947
433	355	**W.C. Heraeus**	Germany	Metal refining	1,068,635	321,054	11,585	96,813	6,216
434	398	Ford Brasil[22]	Brazil	Motor vehicles and parts	1,067,383[13]	581,173	62,615	172,017	19,601
435	471	**Aisin Seiki[9]**	Japan	Motor-vehicle parts	1,060,929[12]	609,895[12]	33,528[12]	35,184[12]	7,500[12]
436	467	**Rengo[9]**	Japan	Paper and wood products	1,059,800	595,658	18,277	101,340	4,443
437	360	**Magirus-Deutz**	Germany	Motor vehicles	1,058,823[12]	764,022[12]	(21,243)[12]	116,176[12]	11,483[12]
438	487	Altos Hornos de Mexico[5,P]	Mexico	Metal refining—steel	1,053,493	3,290,049	71,877	1,788,615	30,068
439	•	**Citizen Watch[9]**	Japan	Watches, clocks	1,051,057	936,922	40,162	254,946	9,686
440	434	British Sugar[10]	Britain	Food products	1,050,904	728,708	66,389	552,044	5,981
441	492	**Scottish & Newcastle Breweries[32]**	Britain	Beverages	1,050,688	1,100,345	60,059	560,121	26,920
442	367	**Freudenberg**	Germany	Chemicals; textiles	1,047,655[6]	N.A.	N.A.	N.A.	22,700[6]
443	399	**Enso-Gutzeit[8]**	Finland	Paper and wood products	1,047,145	1,842,070	7,861	463,080	16,999
444	460	Mitsubishi Gas Chemical[9]	Japan	Chemicals	1,044,499	1,065,125	30,848	254,701	4,610
445	445	**Lion**	Japan	Soaps, cosmetics; chemicals	1,039,843	602,024	9,591	196,851	4,133
446	402	**AGA**	Sweden	Chemicals, gases; industrial equip.	1,038,105	1,048,200	5,999	204,500	14,365
447	•	**Dalmine[8]**	Italy	Metal products	1,032,595	1,009,736	101,189	148,410	12,878
448	486	Nippon Seiko[32]	Japan	Indus. equip.; motor-vehicle parts	1,031,084	1,074,549	60,236	320,331	8,700
449	418	**Suncor**	Canada	Petroleum	1,027,604	1,485,886	41,813	401,270	4,933
450	386	**Boehringer Ingelheim**	Germany	Pharmaceuticals; chemicals	1,018,788[6]	995,537[6]	26,647[6]	396,785[6]	14,822[6]

[P] All figures are preliminary

[12] Figures are for fiscal year ending September 30, 1981

[13] Name changed from Dickinson Robinson Group on June 8, 1981

THE 500 LARGEST INDUSTRIALS OUTSIDE THE U.S.

RANK '81	RANK '80	COMPANY	COUNTRY	INDUSTRY	SALES ($000)	ASSETS ($000)	NET INCOME ($000)	STOCK-HOLDERS' EQUITY ($000)	EMPLOYEES
451	380	**Zahnradfabrik Friedrichshafen**	Germany	Motor-vehicle parts; indus. equip.	1,018,344	831,104	17,406	129,839	19,269
452	413	**Steyr-Daimler-Puch**	Austria	Motor vehicles	1,016,222[12]	1,015,431[12]	8,196[12]	212,066[12]	17,579[12]
453	466	**Kanto Auto Works**[2]	Japan	Motor vehicles	998,295[12]	260,198[12]	6,485[12]	65,841[12]	5,632[12]
454	451	**Toyo Soda Manufacturing**[3]	Japan	Chemicals	997,421	1,336,674	6,426	178,217	6,000
455	•	**Oki Electric Industry**[3]	Japan	Electronics, appliances	985,525	1,074,476	24,186	163,691	14,769
456	390	**Dollfus-Mieg**	France	Textiles	983,177[6]	685,804[6]	(13,563)[6]	97,538[6]	19,123[6]
457	476	**Valmet**[5]	Finland	Industrial, farm and trans. equip.	983,097	1,405,209	(38,937)	101,898	16,084
458	389	**Reemtsma Cigarettenfabriken**	Germany	Tobacco; beverages	978,202	958,368	5,995	229,224	11,426
459	497	**Niigata Engineering**[3]	Japan	Industrial equipment; shipbuilding	978,156	962,834	14,715	210,598	6,594
460	448	**Albright & Wilson**	Britain	Chemicals	977,861	585,601	30,153	305,456	8,855
461	368	**Delta Group**	Britain	Electronics; metal products	976,710	706,003	689	305,940	21,875
462	395	**Usines Chausson**	France	Motor vehicles and parts	963,014[6]	497,586[6]	(36,609)[6]	43,905[6]	15,000[6]
463	•	**NTN Toyo Bearing**[3,4]	Japan	Motor-vehicle parts	954,624	883,224	40,457	162,019	6,867
464	490	**Du Pont Canada**	Canada	Chemicals; textiles	950,267[11]	526,334	(3,956)	220,358	6,000
465	432	**AE**[10,45]	Britain	Motor-vehicle parts	949,516	582,730	(3,875)	258,550	23,222
466	423	**Georg Fischer**	Switzerland	Industrial equipment; steel castings	948,927	933,438	(4,088)	282,996	17,709
467	429	**Stora Kopparbergs Bergslags**	Sweden	Paper and wood products	946,607	1,327,400	29,400	269,291	9,929
468	•	**Toyota Auto Body**[3]	Japan	Motor vehicles and parts	937,771[12]	304,340[12]	7,680[12]	89,790[12]	5,940[12]
469	392	**Axel Springer**[16]	Germany	Publishing, printing	929,916	339,062	3,553	80,290	11,607
470	426	**General Motors do Brasil**	Brazil	Motor vehicles and parts	926,078[13]	1,081,428	(3,475)	241,067	17,603
471	407	**Carl-Zeiss-Stiftung**[18]	Germany	Measuring and scientific equip.	923,738	798,032	1,184	104,151	24,844
472	417	**SEITA**[5]	France	Tobacco	923,500*[,12]	1,088,764[12]	(22,047)*[,12]	397,414[12]	8,760[12]
473	479	**Redland**[3]	Britain	Building materials	912,584	476,572	45,836	302,191	12,780
474	•	**Dillinger Hüttenwerke**	Germany	Metal manuf.—steel	909,934	578,886	750	191,459	N.A.
475	447	**Dansk Esso**	Denmark	Petroleum	891,652	320,596	5,663	82,960	1,069
476	440	**USIMINAS**[5]	Brazil	Metal refining—steel	888,795	2,207,559	845	400,517	17,237
477	•	**C.&J. Clark**	Britain	Leather products	885,792*	N.A.	20,977*	N.A.	2,400
478	496	**Tootal Group**[39,46]	Britain	Textiles	881,284	634,276	(15,537)	296,733	23,384
479	468	**Rauma-Repola**	Finland	Paper, pulp and wood prod.; metal prod.	880,530[12]	1,417,922[12]	12,983[12]	186,233[12]	17,896[12]
480	•	**Showa Sangyo**[19]	Japan	Food products	880,515	494,015	8,236	123,806	1,989
481	498	**Gulf Oil Great Britain**	Britain	Petroleum	878,309*[,13]	N.A.	(62,020)	N.A.	939
482	•	**Siderúrgica Paulista**	Brazil	Metal mfg.—steel	866,389	3,151,593	(22,803)	969,241	15,535
483	•	**Elkem**[47]	Norway	Metal manufacturing	865,106	891,775	(20,321)	140,676	13,244
484	416	**Eschweiler Bergwerks-Verein**	Germany	Mining—coal	863,023	753,985	48	95,039	19,530
485	485	**Nixdorf Computer**	Germany	Office equipment (includes computers)	858,755[6]	1,030,746[6]	17,785[6]	236,982[6]	14,760[6]
486	•	**Topy Industries**[3]	Japan	Motor refining—steel; motor-veh. parts	856,069	589,585	3,675	49,376	4,056
487	408	**Carnaud**	France	Metal products	855,378[6]	643,322[6]	(11,663)[6]	116,977[6]	12,499[6]
488	•	**Sumitomo Light Metal Industries**[3]	Japan	Metal mfg.—aluminum, copper	847,011[12]	972,058[12]	2,805[12]	75,030[12]	2,280[12]
489	•	**BPB Industries**[3]	Britain	Building materials; paper, pulp	845,526	662,606	70,615	394,929	11,700
490	394	**Siderúrgica Nacional**	Brazil	Metal refining—steel	841,944[12]	3,603,669[12]	(11,455)[12]	939,472[12]	23,000[12]
491	•	**Incentive**	Sweden	Measur. & scientific equip.; indust. equip.	840,587	705,176	11,005	82,550	12,424
492	475	**Cehave**[7]	Netherlands	Food products	838,558	240,190	3,354	97,798	2,303
493	453	**M.I.M. Holdings**[7]	Australia	Mining—nonferrous	837,997	1,329,442	123,627	697,360	7,781
494	•	**Coalite Group**[3]	Britain	Chemicals	837,985	348,317	46,033	215,175	N.A.
495	469	**A. Ahlström**	Finland	Paper and wood products	835,276	1,066,264	8,025	216,511	13,577
496	464	**Mo och Domsjö**	Sweden	Paper and wood products	833,118	1,039,840	338	228,562	7,494
497	•	**Aichi Machine Industry**[3]	Japan	Motor vehicles and parts	832,990[12]	359,318[12]	10,703[12]	68,717[12]	4,738[12]
498	•	**Shionogi**[3]	Japan	Pharmaceuticals	827,174	776,709	38,549	410,895	6,718
499	•	**Smiths Industries**[29]	Britain	Aerospace; mot.-veh. parts; indus. equip.	826,122	483,596	36,573	256,244	17,541
500	493	**Chloride Group**[3]	Britain	Motor-vehicle parts	824,304	624,877	(52,645)	210,748	20,197
		TOTALS			**1,856,195,921**	**1,583,720,632**	**31,566,274**	**447,394,797**	**18,012,935**

N.A. Not available
•Not on last year's list
*Fortune estimate
**Figures are for fiscal year ending March 20, 1981
[2]Name changed from Associated Engineering on May 22, 1981
[5]Name changed from Tootal on March 22, 1982
[7]Name changed from ES-Group on September 1, 1980

PERSPECTIVES ON THE 500

CHANGES IN SALES

THE TEN BIGGEST INCREASES

	SALES RANK	
Texaco (Britain)	110	481.4%
Kuwait Petroleum	6	450.3
Petro-Canada	224	260.3
Racal Electronics	382	217.9
Empresa Colombiana de Petróleos	267	193.3
Dome Petroleum	260	191.0
Volvo	35	169.5
Dunlop Olympic	370	160.4
Chiyoda Chemical Eng. & Construction	312	159.9
Onoda Cement	322	153.2

THE TEN BIGGEST DECREASES

Dunlop Holdings	163	60.7%
De Beers Consolidated Mines	339	47.9
Inco	261	38.9
Métallurgie Hoboken-Overpelt	218	31.7
Sanyo-Kokusaku Pulp	373	29.3
SEAT	404	27.9
Snia Viscosa	362	27.5
IMI	430	26.2
ARBED	407	25.4
Siderúrgica Nacional	490	25.3

THE INDUSTRY MEDIANS

	INCREASES
Measuring and scientific equipment	21.8%
Shipbuilding, transportation equipment	18.6
Electronics, appliances	13.1
Beverages	12.7
Textiles	9.8
Pharmaceuticals	8.7
Petroleum	8.7
Motor vehicles and parts	7.5
Soaps, cosmetics	7.4
Industrial and farm equipment	6.0
Food products	5.6
Building materials	5.4
Publishing, printing	4.7
Rubber products	3.9
Chemicals	1.8
Metal products	1.7
	DECREASES
Mining	10.6%
Paper and wood products	6.1
Tobacco	3.5
Office equipment (includes computers)	1.5
Metal refining	1.1
Aerospace	1.0

CHANGES IN PROFITS

THE TEN BIGGEST INCREASES*

	SALES RANK	
Hitachi Zosen	284	4,505.4%
Ford España	392	1,125.9
Bowater	139	1,093.0
Seagram	281	1,078.2
Volvo	35	988.4
Kawasaki Heavy Industries	137	982.5
PETRONOR	274	953.9
Stahlwerke Röchling-Burbach	431	895.5
Chinese Petroleum	74	720.6
Dalgety	83	634.7

THE TEN BIGGEST DECREASES*

Steel Authority of India	211	99.7%
Chemische Werke Hüls	209	99.2
Tabacalera	226	98.7
MacMillan Bloedel	264	97.1
Esso Nederland	194	97.0
Dillinger Hüttenwerk	474	96.5
Mo och Domsjö	496	95.7
Fuji Kosan	346	93.7
PETROPERU	381	92.7
VIAG	201	91.5

*Listings exclude money losers

THE INDUSTRY MEDIANS

	INCREASES
Metal products	13.9%
Food products	13.4
Electronics, appliances	11.7
Beverages	11.6
Motor vehicles and parts	4.2
Pharmaceuticals	3.4
Measuring and scientific equipment	3.2
	DECREASES
Rubber products	100.0%
Textiles	55.6
Metal refining	46.1
Shipbuilding, transportation equipment	45.2
Mining	34.4
Chemicals	34.0
Aerospace	26.2
Petroleum	23.3
Office equipment (includes computers)	20.8
Publishing, printing	20.5
Building materials	16.7
Paper and wood products	15.5
Tobacco	13.1
Soaps, cosmetics	9.4
Industrial and farm equipment	6.7

ARRIVALS AND DEPARTURES

NEWCOMERS AND RETURNEES*

	1981 SALES RANK
Aichi Machine Industry	497
BPB Industries (1976: 472)	489
CII-Honeywell Bull (1979: 330)	357
Chevron Oil Italiana (1976: 368)	263
Citizen Watch (1979: 493)	439
Clark (C.&J.)	477
Coalite Group	494
Dalmine (1978: 465)	447
Dillinger Hüttenwerke (1979: 371)	474
Dunlop Olympic (1979: 489)	370
Elkem (1979: 494)	483
Fletcher Challenge	303
Incentive (1977: 492)	491
Motor Oil (Hellas) Corinth Refineries	401
NTN Toyo Bearing (1979: 495)	463
Oki Electric Industry (1979: 472)	455
Petro-Canada	224
PETROPERU	381
Racal Electronics	382
Shionogi (1979: 483)	498
Showa Sangyo (1979: 496)	480
Siderúrgica Paulista	482
Smiths Industries (1975: 485)	499
Sumitomo Light Metal Industries	488
Texico (Britain) (1978: 279)	110
Topy Industries	486
Toyota Auto Body (1979: 434)	468

*Figures in parentheses indicate year and sales rank the last time the company was listed

DEPARTURES

	1980 SALES RANK
Bekaert Group	449
Bofors	463
Chemie Linz	484
Diehl	483
Esso Chimie	458
Euroc	482
Fichtel & Sachs	472
Fisons	457
Gecamines[1]	317
Générale Sucrière	470
Glynwed	499
Hainaut-Sambre[2]	337
Industrias Peñoles	452
Interfood	477
Kodak	491
Kodak-Pathé	495
Liebherr-Holding	489
MTU	488
Olida & Caby	500
Pernod Ricard	481
Schindler Holding	494
Sidmar	461
Smidth (F.L.)	411
Södra Skogsägarna	478
Svenska Fläktfabriken[2]	424
Tchibo Frisch-Röst-Kaffee	459
Uddeholm	480
VMF-Stork	465

[1]The company's results are not yet published. [2]The company's figures are consolidated in another listed company.

THE MONEY LOSERS

	SALES RANK	LOSS ($000)
YPF (Yacimientos Petrolíferos)	99	3,820,963
British Steel*	54	2,386,576
Italsider*	135	1,510,775
BL*	78	1,007,315
Usinor*	104	777,271
Montedison*	45	550,910
Sacilor*	147	531,887
Inco	261	469,518
Cockerill Sambre*	122	464,989
Peugeot*	27	368,825
ICL	318	286,512
ESTEL*	79	280,763
Courtaulds	120	266,969
Adam Opel	105	263,282
Grupo Industrial Alfa	193	239,029
ENSIDESA*	374	227,068
SEAT*	404	219,439
Massey-Ferguson*	184	194,800
Salzgitter*	115	175,708
Statsföretag Group	160	169,011
SSAB (Svenskt Stål)*	337	143,227
National Coal Board	34	135,239
Renault	16	124,916
Maruzen Oil*	50	120,060
Vauxhall Motors*	317	116,332
Alfa Romeo*	277	103,685
Showa Oil	111	96,110
ARBED*	407	85,558
CII-Honeywell Bull	357	83,132
Dunlop Holdings	163	83,098
Grundig	332	82,549
Ford Motor of Canada*	72	82,501
Lucas Industries	182	77,915
Tube Investments*	219	76,815
British Shipbuilders*	235	75,460
Michelin	66	66,628
Schneider*	59	63,346
Gulf Oil Great Britain	481	62,020
Rhône-Poulenc*	58	61,995
SWEDYARDS (Svenska Varv)*	349	56,913
Turner & Newall*	375	52,899
Chloride Group	500	52,645
Entreprise Minière et Chimique	314	51,936
Charbonnages de France	112	49,318
Guest, Keen & Nettlefolds*	130	49,251
Mobil Oil (Britain)	232	47,747
Chrysler Canada*	240	45,693
Klöckner-Werke*	225	42,118
Valmet*	457	38,937
Mitsui Toatsu Chemicals	242	37,057
Usines Chausson*	462	36,609
Metal Box	195	35,726
Thyssen	29	32,341
Kanebo	213	27,200
ALUSUISSE (Swiss Aluminum)	136	26,725
Valeo	368	26,241
Burmah Oil	166	25,132
SNECMA	394	24,743
Chevron Oil Belgium	361	23,114
PETROGAL (Petróleos de Portugal)	187	22,912
Siderúrgica Paulista*	482	22,803
SEITA*	472	22,047
Magirus-Deutz*	437	21,243
Fried. Krupp	61	20,858
Elkem	483	20,321
Solvay	114	17,711
Korea Oil*	129	16,084
Tootal Group	478	15,537
Thomson-Brandt	43	13,625
Dollfus-Mieg*	456	13,563
Carnaud	487	11,663
Siderúrgica Nacional	490	11,455
Mitsubishi Petrochemical	271	10,847
VÖEST-Alpine*	117	9,356
General Motors of Canada	38	8,592
Continental Gummi-Werke	340	7,781
Rolls-Royce*	165	6,080
Yokohama Rubber	405	5,974
Showa Denko	255	5,474
Mobil Oil Italiana	342	4,799
Unitika*	286	4,486
Thomas Borthwick & Sons*	413	4,318
Georg Fischer	466	4,088
Du Pont Canada	464	3,956
AE*	465	3,875
PWA	416	3,562
General Motors do Brasil	470	3,475
Rijn-Schelde-Verolme*	369	3,392
Chevron Oil Italiana	263	3,159
FMC	429	2,673
Mitsui Mining & Smelting	353	1,824
Anomina Petroli Italiana	387	576
Mobil Oil Française	257	76

*Also lost money in 1980.

THE 500 BY COUNTRY

	RANK BREAKDOWN 1-100	101-200	201-300	301-400	401-500	Total	LARGEST COMPANY	($000)	RANK
Argentina	1	0	0	0	0	1	YPF (Yacimientos Petrolíferos Fiscales)	4,815,778	99
Australia	1	1	0	3	2	7	Broken Hill Proprietary	5,322,036	87
Austria	0	2	0	0	1	3	ÖMV (Österreichische Mineralölverwaltung)	4,271,013	113
Belgium	1	3	1	1	0	6	Petrofina	9,244,555	37
Brazil	1	0	1	0	5	7	Petrobrás (Petróleo Brasileiro)	18,946,056	10
Britain	15	23	18	17	19	92	British Petroleum	52,199,976	2
Britain-Netherlands	1	0	0	0	0	1	Unilever	24,095,898	4
Canada	5	5	13	7	3	33	Canadian Pacific	10,290,790	33
Chile	0	0	1	1	0	2	CODELCO-CHILE	1,741,150	289
Colombia	0	0	1	0	0	1	Empresa Colombiana de Petróleos	1,840,182	267
Denmark	0	0	0	0	1	1	Dansk Esso	891,652	475
Finland	0	1	0	1	4	6	Neste	3,785,781	128
France	12	8	6	7	5	38	Française des Pétroles	22,784,032	5
Germany	16	11	10	3	18	58	Volkswagenwerk	16,822,215	13
Greece	0	0	0	0	1	1	Motor Oil (Hellas) Corinth Refineries	1,172,338	401
India	1	0	1	0	0	2	Indian Oil	6,264,507	64
Israel	0	1	0	0	0	1	Koor Industries	2,800,000	175
Italy	3	4	2	4	1	14	ENI	29,444,315	3
Japan	22	21	34	30	23	130	Nissan Motor	16,245,315	15
Kuwait	1	0	0	0	0	1	Kuwait Petroleum	20,536,871	6
Luxembourg	0	0	0	0	1	1	ARBED	1,155,460	407
Mexico	1	1	0	3	1	6	Pemex (Petróleos Mexicanos)	18,804,190	11
Netherlands	4	1	0	2	3	10	Philips' Gloeilampenfabrieken	17,069,155	12
Netherlands-Antilles	1	0	0	1	0	2	Schlumberger	5,977,938	73
Netherlands-Britain	1	0	0	0	0	1	Royal Dutch/Shell Group	82,291,728	1
New Zealand	0	0	0	1	0	1	Fletcher Challenge	1,641,212	303
Norway	0	1	1	0	1	3	Norsk Hydro	3,360,390	146
Peru	0	0	0	1	0	1	PETROPERU	1,250,549	381
Philippines	0	1	0	0	0	1	Philippine National Oil	2,840,889	168
Portugal	0	1	0	0	0	1	PETROGAL (Petróleos de Portugal)	2,595,791	187
South Africa	1	1	1	3	1	7	Barlow Rand	5,584,426	81
South Korea	3	2	3	2	0	10	Hyundai Group	7,211,590	51
Spain	1	1	3	3	3	11	ENPETROL	5,317,401	88
Sweden	2	5	1	8	6	22	Volvo	9,538,577	35
Switzerland	3	3	2	2	1	11	Nestlé	14,172,074	25
Taiwan	1	0	1	0	0	2	Chinese Petroleum	5,957,679	74
Turkey	1	2	0	0	0	3	Türkiye Petrolleri	4,759,508	100
Venezuela	1	0	0	0	0	1	Petróleos de Venezuela	19,659,115	8
Zambia	0	1	0	0	0	1	Zambia Industrial & Mining	2,749,349	178

THE FORTUNE DIRECTORY OF THE 100 LARGEST COMMERCIAL-BANKING COMPANIES OUTSIDE THE UNITED STATES

(Ranked by assets)

In international banking last year the Canadians were the climbers. Six Canadian banks are ranked on FORTUNE's list of the largest foreign commercial-banking companies, expanded this year from 50 to 100. As a group, the Canadian banks had a remarkable year in 1981: on average, they had an increase in assets, denominated in U.S. dollars, of 23%. The biggest of them, Royal Bank of Canada, recorded the largest increase of all banks on the list: it added 36% to its assets, which totaled $73 billion at the end of the fiscal year. That carried Royal Bank from No. 19 to No. 14 on the list. Canadian Imperial Bank of Commerce, the second largest, added 18% to its assets and moved up from No. 31 to No. 22. After Royal Bank, the bank with the largest asset growth was Toronto-Dominion, up 30% to $37 billion; unlisted last year, Toronto-Dominion appears as No. 49 this year.

These great gains by the Canadian banks are largely attributable to their expansion abroad, especially in the U.S. At home in Canada, things were slow last year: the only significant growth was in the energy field. Canadian banks have developed special skills in energy financing, and these skills have propelled them south. Royal Bank has representative offices throughout the U.S., including the oil capitals of Houston, Dallas, and Denver.

The eagerness of Canadian banks to make loans to energy companies at home has brought special risks. To discourage such risk-taking, Canada's inspector general of banks moved last summer to restrict bank lending in the energy field. Dome Petroleum, once the proud forerunner in Canadian energy, has borrowed several billion dollars from Canadian banks and is now fighting to avoid collapse. Toronto-Dominion and Canadian Imperial are said to be Dome's largest lenders. Another leading lender is assumed to be the Bank of Montreal, up 13 places from last year's ranking and now No. 26 on the list.

As they were last year, the largest banks on the list are French. Banking in France is highly concentrated: in a country of 54 million people, there are only a dozen major banks. The top four French banks—the first three on our list plus No. 6—do two-thirds of the nation's banking. But these giants showed very little increase in dollar-denominated assets last year. Société Générale, No. 6, dropped two places this year. The No. 4 rank now belongs to Japan's Dai-Ichi Kangyo.

The country with most banks on the list is Japan, which has 24 among the 100. The Japanese banks increased their assets only modestly relative to their performance in 1980 because on September 30, 1981, which was the last day of their fiscal year, the yen had dipped against the dollar. Overall last year, the yen gained 2.7% against the dollar. The assets of Japanese banks represent nearly 28% of the total assets on the directory.

Still in the ascendant on the list is another Asian entry, the Hongkong & Shanghai Banking Corp. A newcomer to the list in 1981, it now ranks No. 25.

The weakness of the deutsche mark relative to the dollar hurt German banks last year. Among them, only Deutsche Bank retained its place, ranking No. 7. Other German banks—12 of them are on the list—dropped an average of six places.

—JEFFREY F. RAYPORT

RANK '81	RANK '80	BANK
1	1	Banque Nationale de Paris[7]
2	2	Caisse Nationale de Crédit Agricole[7]
3	3	Crédit Lyonnais[7]
4	6	Dai-Ichi Kangyo Bank[8,9]
5	5	Barclays
6	4	Société Générale[7]
7	7	Deutsche Bank[11]
8	11	Sumitomo Bank[8,9]
9	8	National Westminster Bank
10	9	Mitsubishi Bank[8,9]
11	10	Fuji Bank[8,9]
12	14	Midland Bank
13	12	Sanwa Bank[8,9]
14	19	Royal Bank of Canada[12]
15	18	Bank of Tokyo[13]
16	22	Banco do Brasil[7,9]
17	15	Industrial Bank of Japan[8,9]
18	30	Norinchukin Bank[9,13]
19	13	Dresdner Bank[11]
20	17	Cie Financière de Suez[14]
21	20	Mitsui Bank[8,9]
22	31	Canadian Imperial Bank of Commerce[12]
23	16	Westdeutsche Landesbank Girozentrale[7,11]
24	23	Tokai Bank[8,9]
25	29	Hongkong & Shanghai Banking
26	39	Bank of Montreal[12]
27	28	Lloyds Bank
28	36	Union Bank of Switzerland[9]
29	21	Cie Financière de Paris et des Pays-Bas[14]
30	27	Long-Term Credit Bank of Japan[8,9]
31	25	Algemene Bank Nederland
32	40	Swiss Bank[9]
33	33	Taiyo Kobe Bank[8,9]
34	24	Commerzbank[11]
35	34	Rabobank
36	35	Amsterdam-Rotterdam Bank
37	26	Banca Nazionale del Lavoro[7]
38	32	Bayerische Vereinsbank[11]
39	43	Mitsubishi Trust & Banking[8,9]
40	47	Bank of Nova Scotia[12]
41	48	Credit Suisse[9]
42	38	Bayerische Landesbank Girozentrale[9]
43	37	Bayerische Hypotheken- und Wechsel-Bank[11]
44	42	Daiwa Bank[8,9]
45	45	Sumitomo Trust & Banking[8,9]
46	46	Standard Chartered Bank
47	41	Banco di Roma[7,14]
48	49	Mitsui Trust & Banking[8,9]
49	●	Toronto-Dominion Bank[12]
50	44	Banca Commerciale Italiana[7,14]

●Not on last year's list

[1]Asset figures have been converted into U.S. dollars using the market rate prevailing at each bank's fiscal year-end, which is December 31, 1981, unless otherwise noted. Figures for subsidiaries are included if they are more than 50% owned, unless otherwise noted. Daiwa Bank, Mitsubishi Trust & Banking, Mitsui Trust & Banking, Sumitomo Trust & Banking, Toyo Trust & Banking and Yasuda Trust & Banking include holdings of major trusts in their assets.

[2]Deposit figures have been converted into U.S. dollars using the market

COUNTRY	ASSETS[1] ($000)	INCREASE (DECREASE) IN U.S. DOLLARS %	INCREASE (DECREASE) IN LOCAL CURRENCIES %	DEPOSITS[2] ($000)	DEPOSITS[2] RANK	LOANS[3] ($000)	NET INCOME[4] ($000)	STOCKHOLDERS' EQUITY[5] ($000)	OFFICES[6]	EMPLOYEES
France	107,909,617	0.43	25.55	96,702,031	1	77,647,695	204,623	1,379,826	2,486	58,751
France	98,870,716	(6.64)	16.71	81,579,359	4	73,808,555	266,357	5,237,088	10,200	63,369
France	94,754,065	(3.46)	20.69	85,648,977	3	78,581,777	190,983	1,646,311	2,283	45,386
Japan	93,487,930	5.61	16.42	67,482,489	9	52,673,383	137,476	1,763,228	337	23,834
Britain	93,360,080	5.34	31.42	86,946,745	2	72,132,305	683,231	4,341,305	5,300	130,000[10]
France	88,135,032	(2.25)	22.20	78,916,888	5	64,580,382	209,331	1,266,683	2,575	45,628
Germany	85,975,924	(2.82)	10.21	78,622,401	6	70,922,915	176,275	2,519,081	1,370	44,800
Japan	83,425,022	13.57	25.19	60,206,252	12	41,756,999	175,793	1,636,199	218	16,301
Britain	82,927,160	0.41	25.27	76,042,735	7	60,479,530	674,921	4,251,300	3,808	84,000
Japan	80,832,724	5.76	16.58	57,846,386	13	43,638,309	143,023	1,756,623	217	17,143
Japan	80,408,491	6.65	17.56	61,058,422	11	43,812,829	168,529	1,833,636	247	18,373
Britain	78,542,768	29.73	61.84	72,287,420	8	55,908,042	251,119	2,773,495	4,100	82,800[10]
Japan	73,238,924	4.23	14.89	56,155,472	14	41,386,481	135,739	1,555,499	239	18,020
Canada	72,748,651	36.07	39.28	62,855,590	10	44,265,077	240,496	1,780,053	1,574	38,783
Japan	67,734,684	21.25	2.54	42,304,921	30	29,830,207	121,514	1,131,993	234	14,018
Brazil	65,077,005	24.58	143.07	23,721,292	57	57,967,391	2,783,795	4,301,409	1,300	99,765
Japan	62,841,086	3.91	14.54	49,515,050	18	36,742,997	139,839	1,400,441	25	5,146
Japan	60,636,471	28.32	6.52	52,930,959	16	28,917,016	23,601	354,247	38	3,045
Germany	58,750,088	(6.14)	6.43	54,595,141	15	48,498,085	71,899	1,649,971	1,142	31,070
France	57,683,942	0.71	25.90	37,931,076	36	45,467,863	177,287	1,268,943	1,685	37,327
Japan	57,002,989	7.92	18.96	42,928,921	27	31,905,561	92,987	1,061,016	183	12,334
Canada	55,565,259	17.82	20.60	47,555,478	21	36,430,508	241,884	1,337,975	1,710	36,665
Germany	55,506,838	(4.13)	8.72	51,912,339	17	46,207,550	29,977	1,242,523	13	7,408
Japan	54,995,293	7.84	18.87	42,389,546	29	29,427,416	86,863	1,057,060	240	15,183
Hong Kong	53,699,206	13.61	25.21	47,609,356	20	25,653,310	358,495	2,481,906	940	41,612
Canada	53,017,669	27.58	30.58	45,358,637	22	33,063,945	215,500	1,345,321	1,322	28,582
Britain	52,970,815	11.61	39.24	48,466,735	19	47,847,233	395,629	3,279,629	2,956	66,033
Switzerland	52,425,962	20.88	20.91	44,605,084	24	39,050,122	195,081	2,970,147	240	16,514
France	50,662,718	(3.10)	21.14	27,623,336	49	33,451,079	127,784	1,609,397	1,041	25,191
Japan	50,016,994	4.53	15.23	41,480,389	31	30,678,513	114,273	1,208,313	23	3,501
Netherlands	49,944,234	(1.25)	12.76	44,648,227	23	28,437,108	137,176	1,183,580	928	28,351
Switzerland	48,967,934	18.11	18.14	42,652,678	28	36,515,426	164,398	2,686,577	207	13,953
Japan	47,482,165	3.29	13.86	37,160,548	38	27,244,753	67,740	921,008	341	15,389
Germany	45,280,171	(10.66)	1.31	43,067,234	26	39,394,352	12,918	1,213,470	878	21,130
Netherlands	44,982,829	(0.87)	13.20	43,076,183	25	31,376,108	211,344	1,906,646	3,071	27,938
Netherlands	44,633,809	1.77	16.21	39,422,184	33	26,035,361	105,869	1,128,487	884	24,277
Italy	44,187,374	(9.47)	16.39	38,863,833	34	26,892,429	44,733	1,587,976	374	22,190
Germany	43,923,731	(5.36)	7.32	41,174,575	32	38,923,442	64,015	910,793	478	12,632
Japan	42,584,908	7.75	18.77	38,045,506	35	23,154,107	45,306	664,126	53	6,058
Canada	41,677,758	13.45	16.12	35,737,911	39	25,091,243	110,911	1,438,523	1,133	23,815
Switzerland	41,151,027	15.88	15.92	35,340,675	40	30,638,867	140,923	2,506,249	167	12,320
Germany	40,589,459	(3.87)	9.01	33,713,661	42	31,884,157	50,629	932,087	5	3,997
Germany	39,874,633	(6.15)	6.43	37,667,870	37	34,945,129	46,042	800,284	528	11,596
Japan	38,908,451	(1.74)	8.31	31,959,686	46	22,271,558	51,136	637,290	163	11,406
Japan	37,992,813	2.97	13.51	34,006,636	41	21,997,084	46,298	660,846	53	6,252
Britain	37,959,322	3.06	28.57	32,699,008	43	31,099,217	273,414	1,959,045	1,599	54,646
Italy	37,856,727	(7.64)	18.75	25,978,823	52	19,352,288	67,322	440,010	432	16,067
Japan	37,374,405	5.50	16.29	32,346,651	44	21,992,049	39,118	553,982	50	5,925
Canada	37,292,229	29.51	32.56	31,195,155	47	23,546,575	141,143	1,057,666	1,029	18,925
Italy	36,931,161	(3.53)	24.03	32,093,239	45	25,749,682	70,986	1,301,082	463	21,163

rate as of each bank's fiscal year-end. Figures for all German banks include their own bonds, so do the figures for Bank of Tokyo, Industrial Bank of Japan, Long-Term Credit Bank of Japan, and Norinchukin Bank. Banco do Brasil includes funds for refinancing. Figures for Swiss banks include medium-term notes.

[2]Loan figures have been converted into U.S. dollars using the market rate prevailing at each bank's fiscal year-end. Figures include loans to banks and at call or available on short notice.

[4]Net income figures have been converted into U.S. dollars using the average rate in the official exchange market during the bank's fiscal year. Net income is after taxes and excludes minority interest.

[5]Stockholders' equity figures have been converted into U.S. dollars using the market rate prevailing at each bank's fiscal year-end. Equity is the sum of capital stock, surplus, and retained earnings. Figures for all French banks are before appropriations of profits.

[6]Includes head office, branches, and agencies.

[10]Government owned.

[1]Figures are for fiscal year ending September 30, 1981.

[3]Parent company only.

[7]Average for the year.

[8]Excludes certain subsidiaries that are more than 50% owned.

[9]Figures are for fiscal year ending October 31, 1981.

[11]Figures are for fiscal year ending March 31, 1981.

[12]Includes certain subsidiaries owned 50% or less, either fully or on a prorated basis.

RANK '81	RANK '80	BANK	COUNTRY	ASSETS[1] ($000)	IN U.S. DOLLARS %	IN LOCAL CURRENCIES %	DEPOSITS[2] ($000)	DEPOSITS[2] RANK	LOANS[3] ($000)
51	•	**Istituto Bancario San Paolo di Torino**	Italy	35,701,764	22.50	57.51	22,191,284	60	11,283,963
52	50	**Société Générale de Banque**	Belgium	31,729,189	(9.87)	8.92	29,285,780	48	20,832,521
53	•	**Nippon Credit Bank**[6,9]	Japan	30,072,768	2.62	13.12	25,473,768	54	20,682,566
54	•	**Credito Italiano**[7,14]	Italy	29,941,522	(5.04)	22.09	27,294,834	50	20,903,085
55	•	**Kyowa Bank**[6,9]	Japan	29,907,837	(4.43)	5.35	23,583,578	58	19,494,347
56	•	**Deutsche Genossenschaftsbank**[11]	Germany	29,025,573	(12.28)	(0.53)	26,205,166	51	25,214,215
57	•	**Yasuda Trust & Banking**[6,9]	Japan	28,601,562	4.08	14.73	25,121,942	55	15,785,640
58	•	**Monte dei Paschi di Siena**	Italy	28,196,891	(5.17)	21.92	25,527,785	53	10,276,817
59	•	**Banco di Napoli**[7]	Italy	27,709,658	(0.25)	28.25	15,645,626	80	7,678,337
60	•	**Banco di Sicilia**[7]	Italy	27,552,160	(2.07)	25.91	11,856,656	93	9,191,540
61	•	**Hessische Landesbank-Girozentrale-**[7,9]	Germany	26,390,944	(4.31)	8.52	22,057,921	61	20,072,094
62	•	**Cassa di Risparmio delle Provincie Lombarde**	Italy	25,926,395	(10.08)	15.61	19,984,311	67	15,387,071
63	•	**Saitama Bank**[6,9]	Japan	25,918,994	1.18	11.54	20,709,041	65	15,232,436
64	•	**Bank für Gemeinwirtschaft**	Germany	25,715,394	(16.18)	(4.94)	24,394,159	56	20,680,861
65	•	**Banca Nazionale dell'Agricoltura**[9]	Italy	24,849,662	9.18	40.38	11,650,436	95	7,851,271
66	•	**Groupe Bruxelles Lambert**[6]	Belgium	24,792,184	(6.65)	22.64	22,344,873	59	8,776,506
67	•	**Kredietbank**[12]	Belgium	24,011,297	10.72	27.86	21,791,523	62	9,883,761
68	•	**Norddeutsche Landesbank Girozentrale**[7,11]	Germany	23,122,762	(2.21)	10.90	21,148,842	64	18,688,658
69	•	**Commonwealth Banking**[7,15]	Australia	23,052,586	11.41	12.11	17,039,375	74	11,830,438
70	•	**Toyo Trust & Banking**[6,9]	Japan	22,724,945	(0.80)	9.35	20,438,038	66	13,108,361
71	•	**Nederlandsche Middenstandsbank**	Netherlands	22,612,038	1.57	15.98	21,337,033	63	13,830,791
72	•	**Groupe des Banques Populaires**	France	22,591,541	(7.51)	15.62	19,960,956	68	13,512,814
73	•	**Skandinaviska Enskilda Banken**	Sweden	22,578,039	9.73	37.46	18,953,618	69	11,245,030
74	•	**Algemene Spaar-en Lijfrentekas**	Belgium	21,446,961	(9.30)	9.62	18,158,188	71	20,831,630
75	•	**Hokkaido Takushoku Bank**[6,9]	Japan	21,367,779	(2.85)	7.10	15,457,881	81	11,821,014
76	•	**Bank of New South Wales**[6]	Australia	20,991,538	11.07	13.81	13,608,611	85	14,310,488
77	•	**Crédit Communal de Belgique**	Belgium	20,822,950	(5.45)	14.27	18,336,275	70	15,152,075
78	•	**Bank Leumi le-Israel**[11]	Israel	20,336,367	10.05	127.50	15,971,965	78	9,592,247
79	•	**Bank of Yokohama**[6,9]	Japan	20,169,804	6.60	17.51	16,634,344	75	12,418,877
80	•	**Crédit Mutuel**[4]	France	19,911,880	(12.30)	9.64	14,793,190	82	8,707,050
81	•	**Australia & New Zealand Banking**[6]	Australia	19,157,204	6.30	8.92	15,666,735	79	12,025,128
82	•	**Banca Popolare di Novara**	Italy	19,078,544	(4.40)	22.92	8,980,163	99	3,233,078
83	•	**Bank Hapoalim**	Israel	19,068,725	12.11	131.77	12,341,609	92	12,316,893
84	•	**Creditanstalt-Bankverein**[7,11]	Austria	18,903,951	3.93	18.00	17,413,351	73	10,965,682
85	•	**Svenska Handelsbanken**	Sweden	18,754,164	(0.86)	24.19	14,526,098	83	10,199,671
86	•	**Bancomer**[5]	Mexico	18,534,161	27.24	44.31	17,540,444	72	9,809,271
87	•	**Post-och Kreditbanken**[7]	Sweden	18,001,702	(5.56)	18.30	16,026,286	76	9,332,091
88	•	**Banco Nacional de Mexico**[5]	Mexico	17,062,312	30.48	47.99	15,975,998	77	8,361,594
89	•	**State Bank of India**[7]	India	16,945,776	10.74	27.29	13,070,862	87	10,273,088
90	•	**Banco Espanol de Credito**[5]	Spain	16,366,289	(7.79)	12.38	12,985,892	89	11,130,892
91	•	**Banco Central**[5]	Spain	16,187,537	(5.68)	15.57	13,284,460	86	11,579,678
92	•	**National Bank of Canada**[13]	Canada	15,924,631	13.68	16.35	14,459,401	84	10,387,484
93	•	**Banco Hispano Americano**[5]	Spain	15,447,183	(1.86)	20.25	12,699,600	91	10,976,006
94	•	**Landesbank Rheinland-Pfalz-Girozentrale-**[11]	Germany	14,919,811	0.71	14.21	13,044,488	88	11,133,911
95	•	**Crédit Commercial de France**	France	14,144,968	(4.71)	19.12	12,802,598	90	11,140,399
96	•	**Banco Ambrosiano**[11]	Italy	13,569,993	(9.34)	16.56	11,703,703	94	9,671,905
97	•	**National Bank of Greece**[7]	Greece	13,477,774	8.66	34.56	10,903,766	96	6,839,977
98	•	**Banco de Bilbao**[5]	Spain	13,277,548	(8.37)	12.27	10,744,911	97	9,337,345
99	•	**Udružena Beogradska Banka**	Yugoslavia	12,448,655	(21.90)	33.27	6,787,629	100	8,594,601
100	•	**Hokuriku Bank**[6,9]	Japan	12,216,721	(0.24)	9.97	9,962,227	98	8,016,172
		TOTALS		**4,843,959,496**			**3,322,006,930**		**2,618,075,380**

•Not on last year's list

[5]Preliminary figures

[15]Figures are for fiscal year ending June 30, 1981

NET INCOME[4] ($000)	STOCK-HOLDERS' EQUITY[5] ($000)	OFFICES[6]	EMPLOYEES
97,915	1,188,660	453	12,865
61,678	855,163	1,174	15,673
76,416	783,314	20	1,838
81,419	976,959	379	18,355
46,269	668,770	241	11,466
23,294	478,743	11	2,191
28,323	394,658	52	4,797
44,325	1,316,681	671	14,870
4,958	459,058	502	13,648
6,339	428,820	310	8,392
19,985	534,409	6	2,920
38,759	1,312,991	462	10,289
42,868	546,319	170	9,144
(1,432)	751,434	262	7,911
28,989	333,654	211	7,626
28,266	240,951	1,042	12,480
83,290	690,498	761	9,455
20,725	521,987	282	4,800
157,903	862,068	1,305	31,179
27,749	358,052	49	4,720
59,380	526,727	481	10,918
N.A.	506,768	1,780	26,050
72,905	360,839	364	6,844[10]
35,934	2,343,919	725	9,227[10]
37,320	418,300	186	7,317
198,089	1,265,297	1,358	24,211
8,440	227,014	1,336	2,615
104,219	315,425	439	15,569
43,470	610,110	172	7,729
1,684	633,240	3,068	16,000
236,763	1,060,726	1,390	23,778
28,436	540,421	371	7,226
139,316	294,311	361	9,691
17,019	528,168	305	9,058
44,140	231,931	455	5,475[10]
168,678	521,673	691	27,889
27,453	212,589	130	3,173[10]
168,552	562,872	648	25,555
17,459	270,201	6,110	162,853
131,504	912,460	2,123	19,822
119,166	912,202	1,800	18,865
17,051	373,058	757	14,399
86,606	782,367	1,361	17,806
5,570	238,434	6	1,926
37,031	327,272	222	7,062
126,652	N.A.	359	8,831
54,911	361,251	411	12,950
87,172	620,956	1,210	16,855
90,514	345,886	441	15,000
25,968	396,886	161	5,573
13,845,184	116,534,837		2,233,489

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Banca Nazionale dell'Agricoltura	65
Banca Popolare di Novara	82
Banco Ambrosiano	96
Banco Central	91
Banco de Bilbao	98
Banco di Napoli	59
Banco di Roma	47
Banco di Sicilia	60
Banco do Brasil	16
Banco Español de Credito	90
Banco Hispano Americano	93
Banco Nacional de México	88
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Bank of Tokyo	15
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Barclays	6
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Bayerische Landesbank Girozentrale	42
Bayerische Vereinsbank	38
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Cie Financière de Paris et des Pays-Bas	29
Cie Financière de Suez	20
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Crédit Communal de Belgique	77
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Daiwa Bank	44
Deutsche Bank	7
Deutsche Genossenschaftsbank	56
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Fuji Bank	11
Groupe Bruxelles Lambert	66
Groupe des Banques Populaires	72
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Hokuriku Bank	100
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The figures in this issue of FORTUNE*'s Directory of Industrial Corporations Outside the U.S. were prepared by reporters Tom Post and Louis S. Richman. The figures on the 100 Largest Commercial-Banking Companies Outside the U.S. were prepared by reporter Jeffrey F. Rayport.*

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Ajinomoto	252
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Albright & Wilson	460
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Alfa-Laval	334
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Allied-Lyons	108
Altos Hornos de Mexico	438
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Asahi Chemical Industry	131
Asahi Glass	207
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Axel Springer	469
BASF	26
BAT Industries	24
BICC	151
BL	78
BMW (Bayerische Motoren Werke)	133
BOC Group	150
BPB Industries	489
BSN-Gervais Danone	134
BTR	371
Babcock International	253
Barlow Rand	81
Bass	177
Bayer	23
Beecham Group	176
Béghin-Say	331
Bertelsmann	174
Blue Circle Industries	320
Boehringer Ingelheim	450
Boliden	410
Borthwick (Thomas) & Sons	413
Bosch (Robert)	80
Bosch-Siemens Hausgeräte	402
Bowater	139
Bridgestone Tire	148
British Aerospace	145
British Petroleum	2
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British Sugar	440
Broken Hill Proprietary	87
Brooke Bond Group	258
Brown Boveri	94
Burmah Oil	166
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Cockerill Sambre	122
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Consolidated-Bathurst	385
Consolidated Gold Fields	227
Continental Gummi-Werke	340
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DRG	428
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Dai Nippon Printing	199
Daido Steel	287
Daihatsu Motor	290
Daikyo Oil	86
Daimler-Benz	14
Dainippon Ink & Chemicals	283
Daishowa Paper	338
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